

General Department of Taxation, Mongolia

**THE PROJECT FOR THE ENHANCING TAX
COLLECTION OPERATION AND
INTERNATIONAL TAX ISSUES OF
MONGOLIAN TAX ADMINISTRATION**

Phase 2

The Project Completion Report

March 2020

Japan International Cooperation Agency (JICA)

KINZAI Institute for Financial Affairs, Inc.

Pacsa Co., Ltd

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【SEPARATE VOLUME: TECHNICAL COOPERATION DELIVERABLES】

- Baseline study report
- Human resource development plan for international taxation support
- International taxation training materials and curriculum
- Investigation and analysis report on international taxation implementation system
- Proposal for improvement of international taxation system
- Investigation report about delinquency settlement and notice
- Report on the effect measurement and issues of the call center
- Investigation report on tax office internal work
- Manual on Delinquent tax collection

ABBREVIATION

APA	Advance Pricing Agreement
BEPS	Base Erosion and Profit Shifting
CFC	Controlled Foreign Corporation
CP	Cost Plus Method
C/P	Counterpart
CUP	Comparable Uncontrolled Price Method
EFF	Extended Fund Facility
EOI	Exchange of Information
GAAR	General Anti Avoidance Rule
GDT	General Department of Taxation
IMF	International Monetary Fund
JCC	Joint Coordination Committee
JICA	Japan International Cooperation Agency
MNT	Mongolian Tugrik
OECD	Organization for Economic Cooperation and Development
PE	Permanent Establishment
PDCA	Plan Do Check Action
PDM	Project Design Matrix
PO	Plan of Operation
PS	Profit split method
R/D	Record of Discussion
RP	Resale Price Method
RPSM	Residual Profit Split Method
SDR	Special Drawing Rights
TNMM	Transactional net margin method
TP	Transfer Pricing
UN	United Nations

1. Project Background and Other Issues

1.1 Project background

As Mongolia has moved from a social centrally planned economy to a market economy, it has been provided with technical assistance by JICA, helping modernize its tax collection system. JICA has been providing technical support to enhance Mongolia's taxation capacity for a dozen or more years now, helping to increase the collection of taxes that form the basis for the state.

As of 2011, tax collection accounted for between 82% and 84% of revenue, achieving a higher level than most other countries with similar income levels. However, new issues have arisen with the recent rapid expansion of the economy.

Resource development has led to a large number of foreign-owned corporations entering Mongolia, as well as small to medium-sized investment from neighboring nations. This has led to issues that include tax avoidance through legal loopholes and transfer price taxation.

However, international taxation systems are undeveloped, and there are not many officials who are able to deal with them. Thus the training of officials who can deal with international taxation issues in terms of inspections and negotiations is an urgent issue. In addition, while tax collections are increasing, delinquency is also increasing, accounting for 10% of collections. A number of delinquency processing methods were implemented to deal with this situation, and the establishment of a Tax Debt Call Center was also considered. This was the situation when, at the request of the Mongolian government, the preliminary phase to this project, the project to strengthen national agency functions and support international taxation initiatives, was implemented. In this project, support was provided through two main initiatives: international taxation, and tax collections. In international taxation, personnel were trained to become the core officials and general staff who would be responsible for international taxation in the future, while at the same time, advice was provided regarding systems. In collections, a Tax Debt Call Center was established to deal with smaller amounts of delinquency, and advice was also provided on tax collection systems.

However, there were still issues in both of these fields. In international taxation, officials only have a basic ability to deal with taxpayers who have advanced knowledge of international taxation, so these officials need to be trained to intermediate or advanced levels. The Tax Debt Call Center, which has been open for six months, needs to be put into full operation, while other tax collection work needs to be made more efficient and more work is required for delinquency processing.

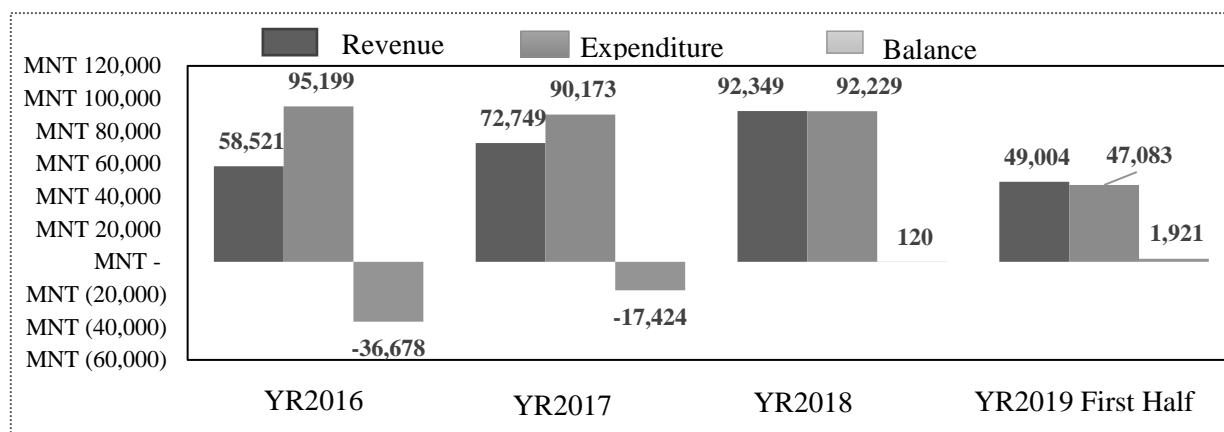
This was the situation when the current project was requested.

1.2 Circumstances involving the tax administration of Mongolia

The Mongolian economy had shown signs of economic strength due to resources, and Mongolia had been developing land in its territory in 2012, including issuing bonds in USD in the international market. However, the economy struggled in the years following as the price of resources hovered low, resulting in their request to the IMF for assistance in 2017. The IMF required the Mongolian government to create the Memorandum of Economic and Financial Policies (MEFP) as a condition for accepting their assistance request. Based on this, the IMF Executive Board, in May, approved an EFF program of 314.5 million (equivalent to USD 430 million) in SDR. At the same time, the IMF, in cooperation with the major donors World Bank, Asian Development Bank, Japan, China, and South Korea, arranged an assistance package of USD 5.5 billion. Because this assistance package was implemented, Mongolia escaped the economic crisis and is regaining trust internationally.

Mongolia, as a condition of receiving this assistance, is carrying out financial austerity measures, such as by ensuring annual government revenue by reducing government expenditures and reviewing the taxation system. As a result, the enormous deficit of the public fiscal balance that had been the norm became a surplus in fiscal year 2018. Revenues for the first half of 2019 totaled MNT 4,900.4 billion, and expenditures for the same period totaled MNT 4,708.3 billion. The public fiscal balance is a surplus of MNT 192.1 billion.

UNIT: BILLION MNT



Source: National Statistical Office of Mongolia

Figure 1. Changes in the fiscal balance of Mongolia

Draft of the revised tax law was deliberated on in parliament with the objectives of strict adherence to the conditions of IMF assistance, action according to the Action Program of the

Government of Mongolia for 2016–2020, and support of private enterprises and domestic investors. Many of the ideas in the bills were proposed by the project, and contribution to the revised tax law and tasks that would accompany the revised tax law were also requested of this project.

1.3 Project Implementation Structure and Other Issues

1.3.1 Target Region

This project covers Ulaanbaatar (General Department of Taxation), as well as 21 provinces and the Ulaanbaatar capital city province (Tax Offices) of Mongolia.



* From the HP of Ikon.mn

Figure 2. Project target region

1.3.2 The authorities concerned and organs

General Department of Taxation

Organizational chart as of January 2020

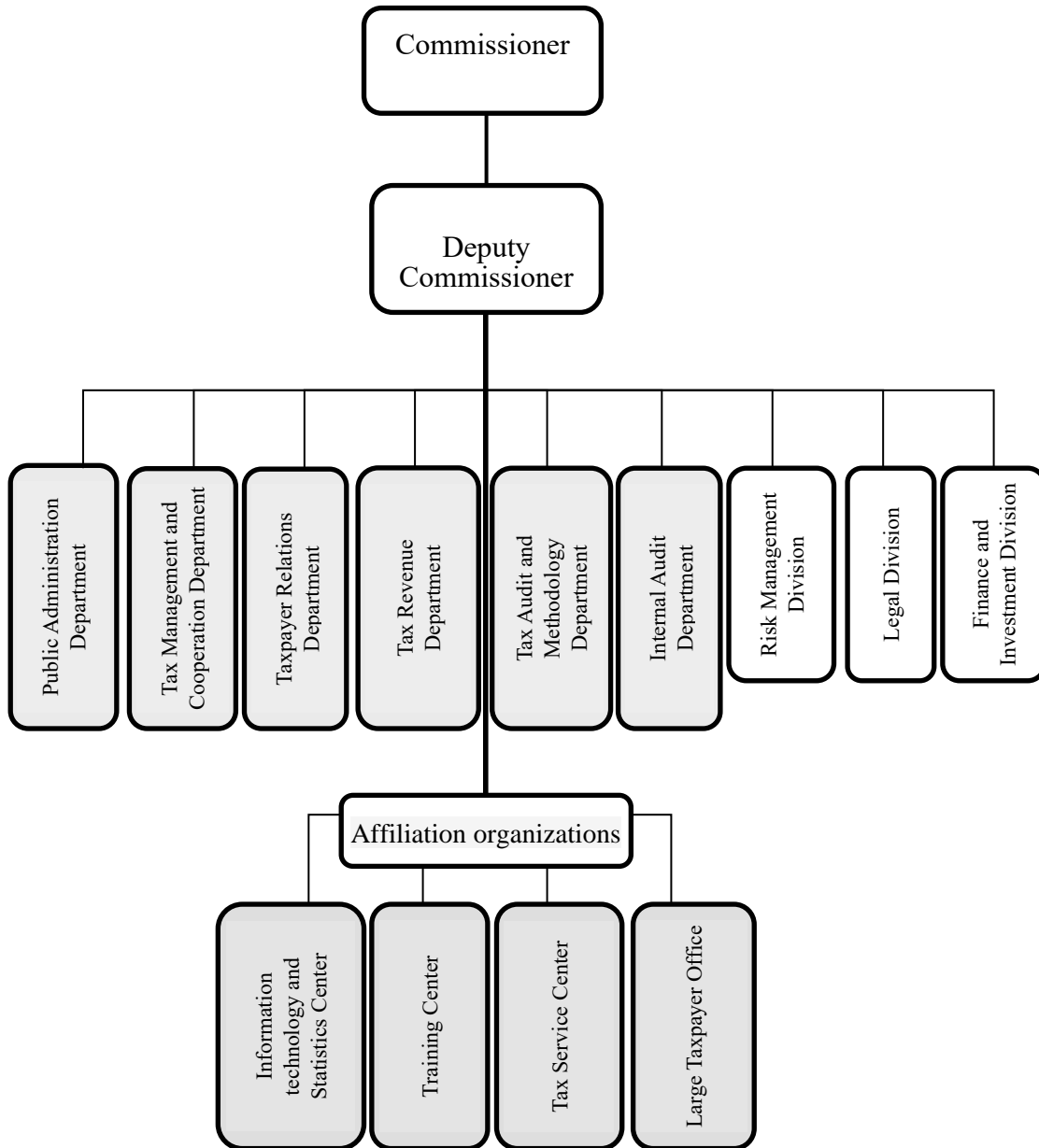
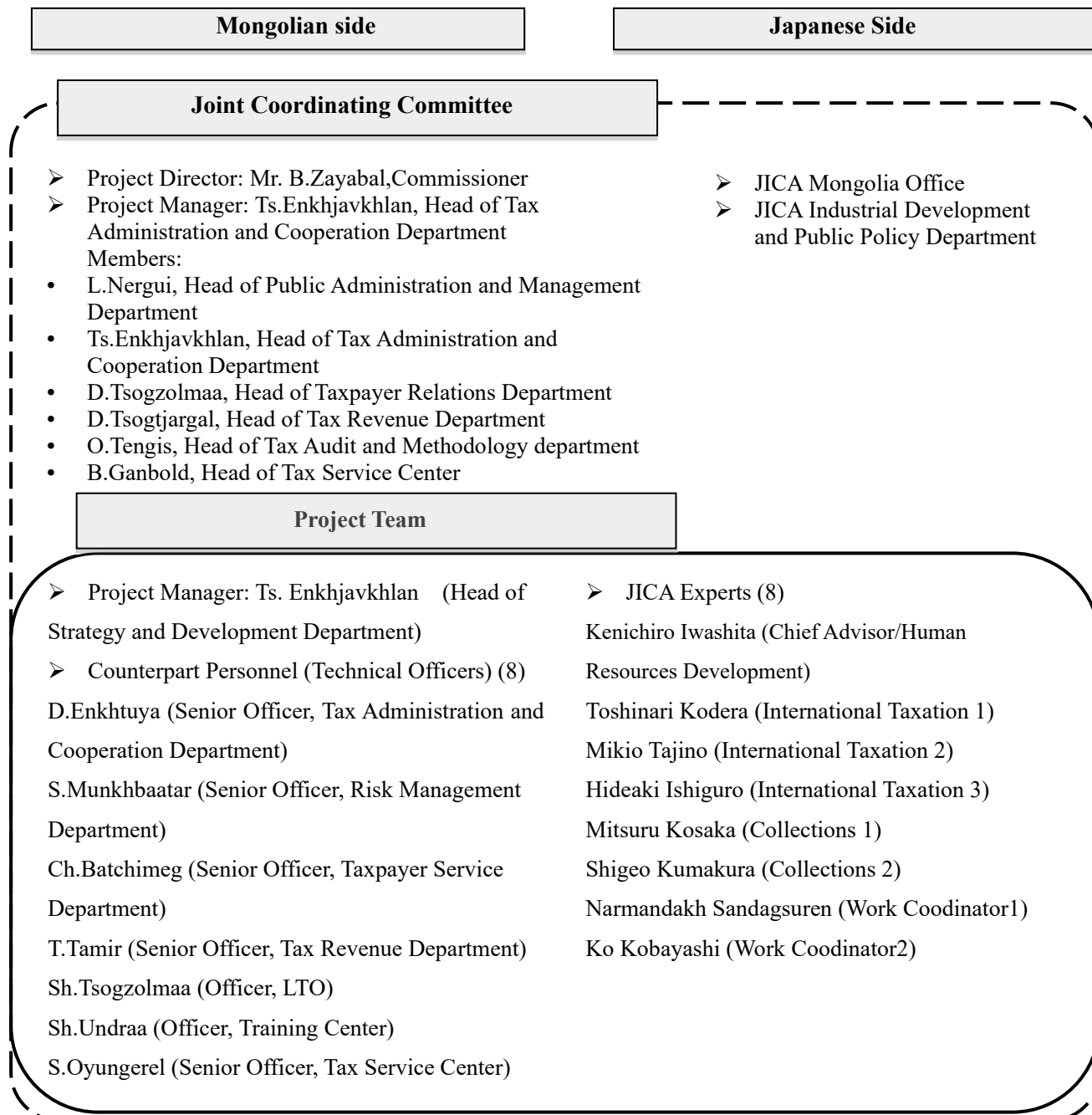


Figure 3. Organizational chart of the GDT

1.3.4 Project Implementation Structure

Table 1. Project Implementation Structure



2 Project Outline

The higher goals, project goals, outputs, and indicators shown in the R/D, PDM are as follows. This project was implemented to push these forward accurately.

2.1 Overall Goals

Mongolian Tax Administration in the field of international taxation and tax collection is further improved.

Objectively Verifiable Indicators:

1. Detection rate of misfiling and non-filing on cross border transaction is increased compared with that of the project completion
2. For future amendment of relevant laws related to the indicator 2-2 of output 2, GDT submits revised proposal to the Ministry of Finance based on their instruction.
3. Tax Debt Call Center is not decreased or is increased compared with that the project completion.
4. The number of cases dealt as the self-enforcing is increased.

2.2 Project Purpose

Mongolian Tax Administration in the field of international taxation and tax collection is reinforced.

Objectively Verifiable Indicators:

(In the field of International taxation)

1. The number of advanced cases on audit of cross border transaction submitted by trainee during the peer-review is increased compared with that of the beginning of the project.
2. Knowledge is shared through case studies utilizing information of cross border transaction collected and accumulated during the project period.
3. A proposal on amendment of laws related to the international taxation is submitted by GDT, and received by Ministry of Finance.

(Tax Collection)

4. The number of cases dealt by the Tax Debt Call Center is increased compared with that of the commencement of the Center.
5. Manual submitted by the project is utilized at another district tax office in Ulaanbaatar on a trial basis.
6. Revenue is recognized as a result of execution of self-enforcing.

2.3 Outputs and Activities (Basic Policy and Achievement)

Progress move ahead with the goal of achieving the following indicators set in PDM.

Output 1. Middle and advanced level knowledge and practical skills necessary for international taxation is acquired.

Objectively Verifiable Indicators:

- 1.1. 80% of the trainees complete training for five times (during three years).
- 1.2. 100% of trainees improve their score of the Post-test compared with that of the Pre-test
- 1.3. More than half of all the cases submitted in the peer review reach the level of the advanced and complicated international taxation cases as a result of check-list evaluation.

*Note: "With an overall rating 3.5 of peer review evaluation criteria considered as a level that has reached the advanced and complicated international taxation cases"

【Basic policy in Output 1】

The following knowledge skills and practical skills have been set for the middle and the advanced levels.

In knowledge skills, accurately understand the features of the Mongolian international taxation system as compared with the OECD Model Tax Convention text and goals, and the international taxation systems of other countries. (Middle) Accurately and promptly understand issues in Mongolia's systems within the dynamically changing international taxation landscape and be able to provide useful and appropriate taxation system reform proposal to suit the circumstances. (Advanced)

In practical skills, accurately understand complex international transactions and international transactions between related parties such as between parent companies and affiliates or head office and branches and be able to appropriately judge the taxation relationships for specific individual transactions. (Middle) Accurately determine and understand advanced, complex international taxation avoidance schemes within international transaction, and be able to appropriately judge the taxation relationships for specific individual transactions. (Advanced)

【Activity for Output 1】

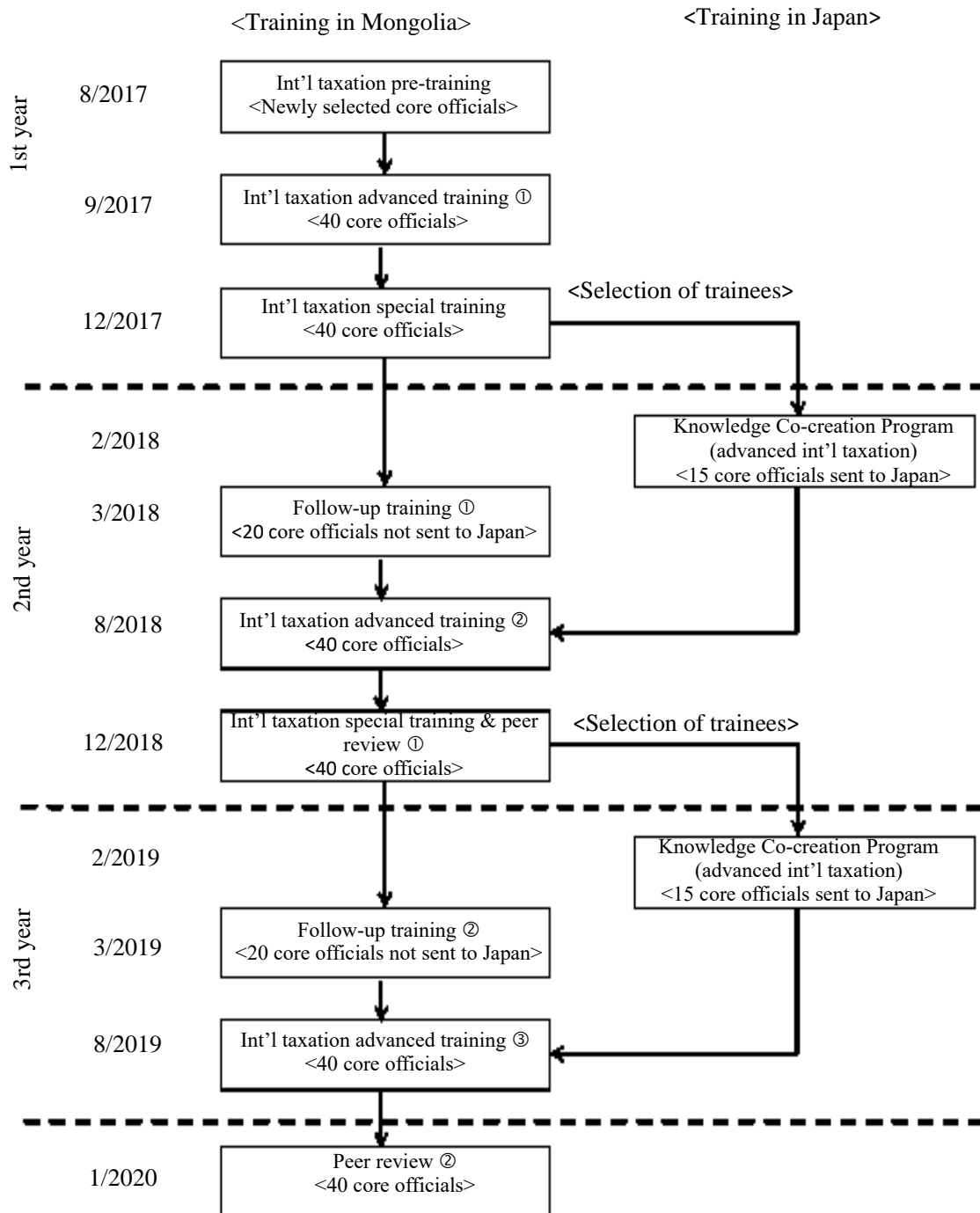
Activity 1-1: Conduct a baseline survey on existing curriculum, teaching materials, and target officers in the relevant field.

A baseline survey was conducted using outsourcing. A report was submitted in June 2017.

Activity 1-2: Develop human resources development plan for the period covered of the project.

The results of the baseline survey and discussions with related departments were conducted, and a human resources development plan was prepared as shown in Table 2 below.

Table 2 Human resources development schedule for core officials



- International taxation pre-training: This is for newly selected core officials. To eliminate their difference in level with existing core officials, training that involves lectures on the content of the education will be carried out in Phase 1.
- International taxation advanced training: For core officials, this is the main training. It is human resources development aimed at raising the trainee's ability to deal with international taxation to an advanced level.
- International taxation special training: This training observes and evaluates the results of

international taxation training as displayed in the work of core officials. It includes a test for selecting the officials to be sent to Japan.

- Country-specific tax administration training: This training is conducted in Japan for selected core officials. It fosters an ability to deal with advanced-level international taxation.
- Follow-up training: For core officials not sent to Japan, this training focuses on the content of the country-specific tax administration training conducted in Japan.
- Peer review: The peer review objectively, concretely and comprehensively evaluates the results, as manifested in actual work, of the country-specific tax administrative training and the follow-up training.

Activity 1-3: Based on the plan developed as a result of 1-2 activity, elaborate contents of teaching materials, and curriculums if necessary.

The curriculum, teaching materials and materials were almost entirely new. See attached training materials for details.

Activity 1-4: Conduct trainings. (Before the training is held, it is necessary to obtain baseline data of prospective trainees in terms of knowledge and experience on international taxation.)

Six times of local-base training, three times of local-base follow-up training and two Japan-base training have been performed.

Activity 1-5: As a part of training follow-up, conduct a review on utilization of knowledge and skills acquired during the training at work.

As part of the follow-up of the training, a review was conducted in September 2018 on the use of knowledge and skills acquired in the workplace. The report summarizing the review results was submitted to GDT.

Activity 1-6: Examine actual cases (peer-review) that trainees encountered during the work within a year after the training session was held.

This was carried out in November 2018 and November 2019.

With the following points in mind, the evaluation was divided into eight groups. Initially, the schedule was once, but twice to determine the degree of progress.

- (i) Are the facts of taxation cases being accurately grasped (evaluated)? (Investigative ability)
- (ii) Are laws, ordinances and treaties being properly applied (interpreted)? (Judgment)
- (iii) Are appropriate conclusions being drawn?
- (iv) When appropriate conclusions cannot be reached, are the problems involved and the methods of solving them being recognized? (Ability to analyze problems and ability to propose solutions)
- (v) Are advanced, complex cases being undertaken.

A second round of peer reviews is planned for the end of 2019 or the beginning of 2020.

Activity 1-7: Reflect the review results into the human resources development plan and modify the plan if necessary.

Based on the results of the peer review report and the interviews with the participants, the project team exchanged opinions with Taxpayer Relations Department and revised it to reflect the selection and application of the best method for transfer pricing adjustments.

Output 2. Foundation of international taxation is further developed

Objectively Verifiable Indicators:

- 2.1. International Taxation Division of Strategy and Development Department and Risk Management Department of GDT collect and accumulate information related to the audit on cross border transaction.
- 2.2. The Japanese project team finalizes a proposal on future taxation reform including establishment of source rules on domestic source income, expansion of systems related to international tax avoidance, and development of system for the elimination of international double taxation.
- 2.3. (* Regulations related to international taxation based on the revised law are issued by GDT.)

【Basic policy for Output 2】

In terms of systems and organizations, care was given to integration with the OECD BEPS¹ package that is the main trend in international taxation. To optimize international taxation systems, meetings will be held for related departments and attended by project specialists, and for legislation and notification, materials were created to explain Japan's relevant laws and notifications to act as reference when Mongolian GDT officials created their own tax laws and notifications in the future.

【Activity of Output 2】

Activity 2-1: Conduct periodical research and analysis of current situation and issues of international tax audit carried out by GDT and its management mechanism and make recommendation (Report should be developed).

The report was submitted in August 2018 and in the work completion report, it was proposed what the GDT should work with in the future.

¹ BEPS (Base Erosion and Profit Shifting) refers to the gap between the activities of multinational companies due to the structural changes in the global business model in recent years and the tax system and international tax rules of each country. The problem is that multinational companies have artificially manipulated their taxable incomes to avoid taxation by using BEPS (National Tax Agency website).

Activity 2-2: Conduct research and analysis of current situation and issues of tax jurisdiction, International tax avoidance, international dual taxation (including transfer pricing), PE (Permanent Establishment), and make recommendations (a proposal) for future institutional development.

Regarding international tax laws and ordinances, the experts have proposed, based on Japan's experience and on the current situation in Mongolia, major legislation related to various aspects of international taxation: GAAR (General Anti-Avoidance Rules), transfer pricing tax system (TPM), documentation, permanent establishments (PE), EOI, foreign tax credit, mutual consultation, domestic source income, CFC tax system.

Activity 2-3: Hold a workshop and share results of the analysis conducted in 2-1 and 2-2 activities mentioned in above and share it with counterparts.

Workshops were held three times, in August 2018 and October 2018, in the working group formed by GDT and MOF.

Activity 2-4: Introduce referential cases of Japan and related information with regard to institutional development for international taxation. (translate relevant documents into English and Mongolian, if required)

In December 2018, the "Mongolian Language Version of Japan's International Taxation Laws and Ordinances" was translated and submitted to GDT. It has been created so that it can be used in GDT as a material that is quite useful for comparing international tax laws with Japan.

Activity 2-5: Provide technical support to GDT in improving institutional arrangement through developing manuals and referential materials.

Translations have been provided as required for laws, notifications, operational procedures, case studies and so on, regarding international taxation in Japan. These were not simply translated, but interpretations included for laws and notifications, as well as explanations of their backgrounds and purposes, allowing Mongolian GDT officials to use them as reference when preparing laws and systems in the future.

At GDT's request, the revised version of "OECD Model Tax Convention on Income and on Capital" was translated and submitted.

Activity 2-6: Provide GDT technical advice regarding agenda for meeting with the Ministry of Finance including related legislation.

Four meetings were held in the past and the project team provided advice at them. As a result, the revised law related to international taxation was adopted.

Activity 2-7: Extract issues of laws, and share them with counterparts.

Issues in international tax laws were identified through status surveys and consultations, and shared in the form of reports and workshops.

Activity 2-8: Have a meeting with counterparts regarding future institutional development and provide technical advice.

Until the adoption of the revised law, discussions and advice were given mainly on the bill, and after the adoption, advice was given on the notification side.

(Activities when the revised law is approved by the Diet)

Activity 2-9: Provide technical support to GDT in executing the revised law on General Taxation (Includes notification support).

The project team provided support for the implementation of the revised law. For the international taxation enforcement order currently being prepared by GDT, the experts made further recommendations based on the request of the additional enforcement order, and made a casebook on international taxation, precedents, decisions, etc. in Japan.

Output 3. Foundation tax collection is strengthened.

Objectively Verifiable Indicators:

- 3.1 Function and targeted party of the Tax Debt Call Center is reexamined.
- 3.2 Manual for Improvement of tax collection and its related work is submitted by the project and is received by GDT.
- 3.3 (*GDT issues regulations related self-enforcing and completes development of necessary materials including manuals.)

【Basic policy for Output 3】

- (1) The role of the Tax Debt Call Center should be specialized to handling small amounts of delinquency (organizing the number of cases) where it is recognized that payment due to reminders is more likely. In addition, reorganization should be done, such as selecting cases targeted for reminders by prioritizing tax items where early contact with the other party is required as there is a high ratio that are merged with the existing delinquency, or by setting the optimal upper limit of the delinquency amount in consideration of the ability of the Tax Debt Call Center to process them. As a result, efforts are needed to increase the total number of reminder cases and the number of cases (ratio) of this total number that were brought to a successful conclusion.

Regarding the Tax Debt Call Center, the project team supported carrying out a measurement of its effectiveness. GDT has begun developing an automatic telephone calling system, but

the system was not yet operating as of December 2019.

- (2) About the content of the support measures for implementing the revised law following adoption of the related bill

Following adoption of the bill, the most important issue is to establish a system and an environment for smoothly implementing the revised general tax law. Toward that end, support that continues at least a couple of years will be necessary.

The revised law contains a new system that didn't exist in the previous general tax law. For the WGs that were formed inside GDT, the experts have provided support together with guidance; however, there are no inspectors with experience or knowledge of the new system. Thus, in the short term it will be difficult to carry out such things as training the collection staff in the tax offices nationwide or PR activities for disseminating information about the law to the various strata of society. Accordingly, to smoothly implement the revised law, it will be necessary to organize, through consultation with GDT, a comprehensive backup system geared to GDT's training plan.

Since the end of the project coincides with the implementation of the revised law, by then, the project team made a policy to focus on the following issues.

- (i) Drafting of a manual and related forms, etc., for the new collection system
- (ii) Training for GDT's managing staff and for the chief inspectors (section managers) in tax office collection departments
- (iii) Guidance and training for the core employees and collection staff at tax offices
- (iv) Preparation of training materials related to (ii) and (iii).

【Activity of Output 3】

Activity 3-1: Conduct a survey on the current status of organizational and institutional arrangement with regard to cases on small amount of delinquent taxes (including a survey on the current status of the Tax Debt Call Center).

In the second half of 2017, the experts researched the situation with delinquency collection and the situation with delinquency settlement, and grasped the situation concerning such matters as amounts carried forward, the amount of delinquencies that occurred, the amount processed, etc., as well as the details of delinquent tax balances (the situation with each tax tier, and the situation with each retaining period starting from the occurrence of delinquencies), and summarized the organizational and institutional arrangement with regard to small delinquency cases and large and difficult cases.

Activity 3-2: Extract issues to be improved based on the survey results (3-1), and make recommendation for realizing efficient implementation of tax collection (a report should be

developed).

Based on the research mentioned in 3-1, the project team confirmed, among other things, the situation regarding such organizational efforts as the system for processing ordinary cases of delinquency as well as large cases and difficult cases (that is, the enforcement system; dealing with each case separately; etc.) , and the project team submitted a report containing proposals and advice for increasing the efficiency of such work. The details were reported on December 15, 2017, " Tax delinquency status and non-payment handling status".

Activity 3-3: Develop an implementation plan for effectiveness measurement on the Tax Debt Call Center's operation.

Regarding an implementation plan for effectiveness measurement on the Tax Debt Call Center's operation, it is to measure the number of outgoing calls, the number of payment pledges, the number of returns to the tax office, etc. over a certain period of time, and study to pursue the most effective method of reminders and optimal conditions from various viewpoints such as the status of the recruitment work of the operators, the tax items to be reminded, the tax amount to be reminded, the recipients, the reminding time, the reminding time zone, etc. , and advised.

Activity 3-4: Conduct effective measurement of the Center, and extract points to be improved.

Regarding the operational effects, more than three years and eight months have passed since the start of the operation of the Tax Debt Call Center in March 2016, and during this period three times, December 2017, November 2018, and November 2019, the project experts had been measuring the number of outgoing calls, the number of payment pledges, the number of returns to the tax office, etc. From the various viewpoints such as the status of the operator's payment demand work and the tax items, the tax amount, the recipients, payment demand period, the payment demand time, etc. In each case, improvements were extracted and advice was given on future issues.

Activity 3-5: Make report to share the results of effective measurement on the operation of the Center with counterparts, and provide necessary support including making recommendation.

Since the start of operation in March 2016, the project team regularly monitored the operation, and gave advice and shared information with the Tax Debt Call Center about the reports such as the "Operational status of the Call Center" dated December 15, 2017, November 30, 2018 and November 30, 2019 regarding the ratio of the number of paid or pledged payments to the number of reminders of payment due during the period (hereinafter referred to as the "payment pledge rate") and the number of reminder of payment due, notifications are difficult to pay report on the percentage of cases returned to the tax office due to differences in telephone numbers (hereinafter referred to as the "return rate") .

Activity 3-6: Provide technical support to GDT in improving operation and management of the Center.

In April 2017, the project team created its own new management policy focusing on the tax filing deadlines and payment deadlines stipulated by the Mongolian tax law and provided necessary advice in connection with the start of operation. In addition, since January 2018, in the development of an automatic telephone calling system, the project team provided advice on specifications and functional requirements and provided advice on improving the operation and implementation system of the center.

Activity 3-7: Conduct a survey at tax offices on the current status of internal administrative work and procedure, and extract issues to be improved before making recommendation for further improvement of efficiency (Recommendation should be summarized in a report).

In the first half of 2017, in order to research the situation with the performance of internal administrative work, the project team went and observed the tax offices, ascertained the situation with the work enforcement system and with the use of PCs, and decided the outstanding issues (“Research Report 2017.6.27”).

Among them, it became clear that the PCs required for processing internal administrative work were aging and the processing speed was slow, and that the required the number of staff members were not distributed. In addition, a report (“Tax office internal work investigation report” on November 30, 2017) was submitted regarding the business improvement plan.

Activity 3-8: Procurement and providing of PCs

In September 2017, a total of 72 personal computers were provided to the 2 tax bureaus of Chingeltei District Tax Office (40 units) and Songinokhairkhan District Tax Office (32 units) in Ulaanbaatar City, and in conjunction with this, the efficiency of the collection section was improved. The project team made a recommendation.

Activity 3-9: Provide technical support to GDT in enhancing efficiency of internal administrative work and procedure including development of manual for tax collection and its related work.

Regarding the internal administrative work processing manual, it was assumed that the bill of the revised law would be submitted to the Diet and that the internal administrative work would change significantly from the content of the revised law. The project team decided to work on the preparation of a general manual for delinquency collection.

In March 2019, the revised bill was approved by the Diet, and the collection procedure was dramatically changed due to the grant of self-enforcement rights, the introduction of the secondary tax obligation system, etc., and the smoothness in terms of urgency and necessity.

In August of the same year, we prepared a “Manual on Delinquent Collection” and a “Forms”

that contribute to strengthening collection duties and procedures.

Activity 3-10: Introduce the developed manual at a district tax office in Ulaanbaatar on a trial basis.

After the general tax law was revised, activities 3-9 were to be reviewed (including the measurement of the effects of the provision of PCs), but the enactment of the revised tax law was significantly delayed, and the law was enacted in January 2020. As a result, the manual was used nationwide after the revised tax law was enforced without trial.

Activity 3-11: Review its utilization.

As the activity review was not possible as described in Activity 3-10, a delinquent tax collection manual and forms in accordance with the revised law were prepared and provided to GDT as described in Activity 3-9.

Activity 3-12: Develop improvement plan (proposal) based on review results.

At the JCC held on October 5, 2017, GDT responded to the improvement plan (points of review) regarding the execution system of the collection department based on the inspection of the two tax offices, and opinion to consider reorganization, shared

<points of review>

- (i) The department in charge of the tax collection will be dedicated to the specialization, and it will be divided into five sections: general delinquency cases, difficult cases, vehicle tax, special agencies, and information surveys and review the number of officers in charge.
- (ii) In order to facilitate the processing of delinquency collection, delinquency collection cases will be divided into general cases, large cases, and difficult cases, and a section manager will be assigned to each section to issue a command.
- (iii) The staff in charge of large cases and difficult cases should be staffed with experienced and high-performance staff.

Activity 3-13: Provide technical support to GDT in execution of the revised law including support for developing regulations, and promoting public awareness, etc.

In preparation for the revised bill being approved, the working group for developing the bill which was launched in GDT in 2018, was instructed to deepen understanding of the bill. After the bill was enacted, the project team assisted in drafting an enforcement order (Director-General's order) for the enforcement of the revised law.

Specifically, a notification (draft) was prepared for the four procedures of seizure of property, realization and distribution procedures, matters related to tax deferrals, and secondary tax obligations.

In addition, after the enactment of the revised bill, training will be provided to the collection staff of the Soum tax office nationwide, the municipal tax office in Ulaanbaatar, and the collection staff of the Revenue and Budget Department on the point of the revision of the revised law, and support for the establishment of the revised law.

<Points of general tax law revision (contents included in the revised law)>

- (i) Grant of priority tax collection rights (tax is subordinated to the credit secured by security interest, but general private credit are given priority.)
- (ii) Introduction of self-enforcement rights (administrative organs themselves will seize the property of the delinquent and realize and distribute procedures, and will grant the authority to collect.)
- (iii) Introduction of a system to expanded the system of tax obligations (secondary tax obligation that can collect supplemental tax obligations by imposing supplementary tax obligations on those who have a certain relationship with the delinquent tax when the delinquent tax cannot be collected from the delinquent taxpayer) .
- (iv) Introduction of an emergency collection system (in the event that there is a possibility that collection will not be possible, an advanced collection system will be introduced that can advance the deadline and request payment)
- (v) Introduction of a tax payment deferrals system (if taxpayers are deemed to be unable to pay delinquent tax due to the fact that they have suffered a disaster or have abolished their business, the tax payment will be extended for one year (extended period not exceeding two years).

Activity 3-14: Provide technical support to GDT in enhancing efficiency of tax collection through development of necessary documents and materials on self-enforcing.

With the enactment of the revised law, the collection operation was dramatically changed due to the granting of self-enforcement rights and the introduction of the secondary tax obligation system, and the collection operation would be smooth from the viewpoint of urgency and necessity, in order to contribute to strengthening the collection procedure, “Manual on Delinquent Collection” and “Forms” were prepared and provided to the GDT in August 2019.

Activity 3-15: Have a meeting with counterparts regarding future institutional development, and provide technical advice.

Since the introduction of the self-enforcement rights, the relevant parties have been asked about the legal system that needs to be improved in the future, such as the grant of priority collection rights for taxes, the secondary tax obligation system, the system for discontinuing delinquency processing, the introduction of suspension of delinquency, etc. and provided necessary advice.

In the future, the most important task is to establish the revised law, but regarding the introduction of the “statute of limitations system” and the “system for suspending delinquency settlement”, and the “the coordination of delinquency settlement” and the “compulsory enforcement”, which were not included in the proposed amendments, the project team consulted with stakeholders and provided necessary advice on new legal systems that need to be improved.

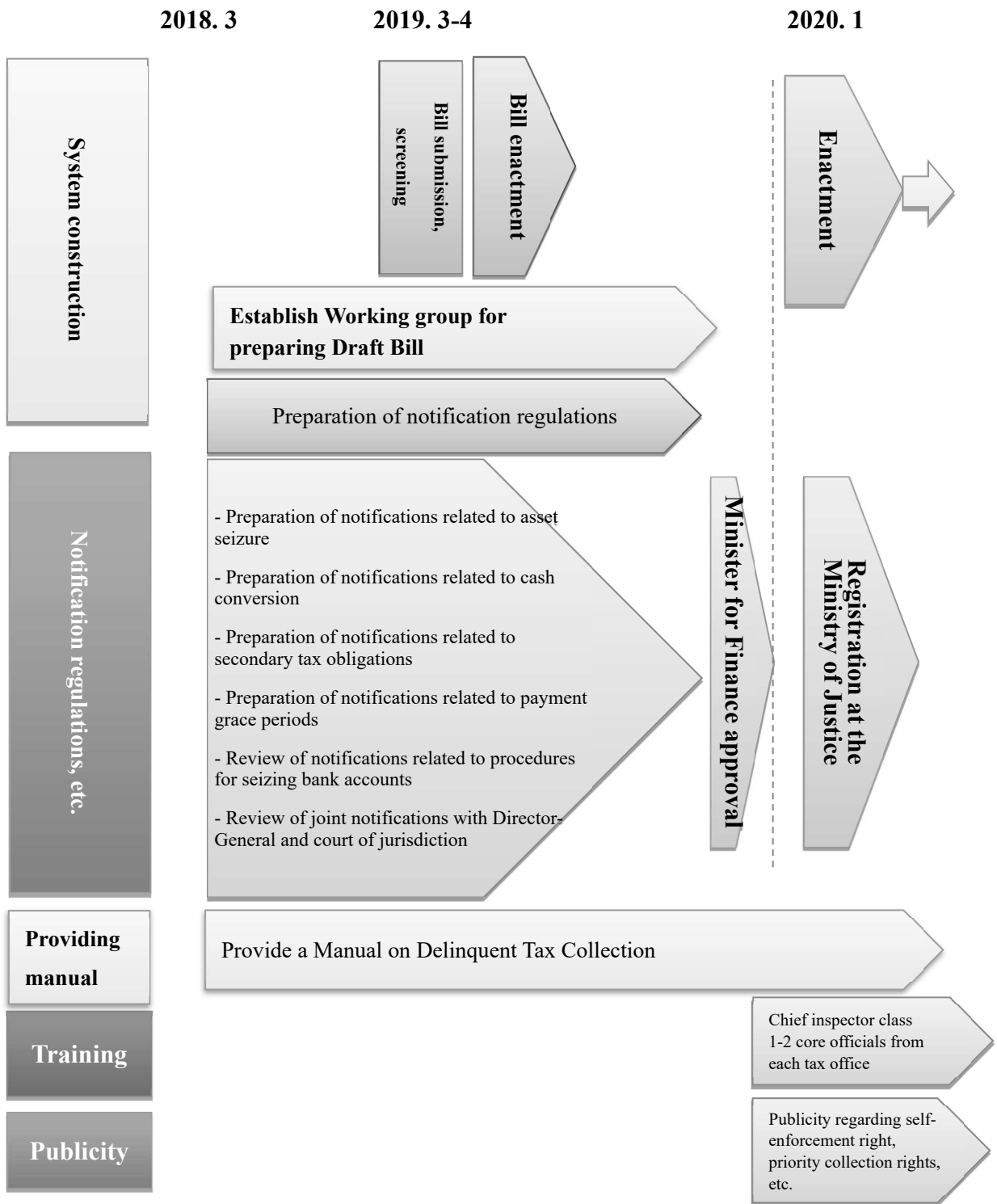


Figure 4. Proposed Road Map for Amendment of Tax Laws

2.4 Purpose of Work

In this project, HR training (acquiring skills and knowledge at the intermediate and advanced levels) is provided for GDT officials responsible for international taxation throughout Mongolia, and support is provided for the development of a foundation for the practical implementation of international taxation. A foundation for collections work will also be prepared. This will help strengthen Mongolia's administrative abilities in international taxation and collections and contribute to further improving tax administration in these areas.

2.5 Work Implementation Method

* The numbers below correspond to those on the flowchart, plan of work

1-1 Collection and Sorting of Related Materials and Information

The project team gathered information on IMF support packages also confirmed information on the current state of taxation and tax administration.

1-2 Preparing Activity Plan Version 1 to Version 3

Ver.1 was created in March 2017, Ver.2 in September 2018, and Ver.3 in April 2019

1-3 Preparing Work Plan Version 1 to Version 3

Ver.1 was created in April 2017, Ver.2 in September 2018, and Ver.3 in June 2019.

1-4 Explanation of Work Plan Version 1

The explanation of the Ver.1 proposal reflecting the results of the baseline survey was implemented in March 2017.

1-5 Establishment of Implementation System

In parallel with 1-4, JCC and the project implementation team were confirmed. The office space was confirmed and installed (provided by the Mongolian side as a convenience), equipment necessary for the work was prepared, and the office system was prepared.

1-6 Baseline Survey of Mongolian International Taxation and Collections

A baseline survey was conducted using outsourcing. A report was submitted in June 2017.

1-7 Discussions and Agreement of Work Plan Version 1~Version 3 Draft

The work plan was explained to GDT and discussed. In consultation with stakeholders, the whole picture of the project was shared. After confirming the situation at the time of creation, corrections were made as necessary. The confirmation of each indicator, the means of obtaining it, and the person in charge were also shared by the C/Ps and the experts

to establish a monitoring system for the project.

Work plan Ver.1, 2 and 3 agreed with GDT.

1-8 Creation and Submission of Monitoring Sheet

Project progress was submitted as a Monitoring Sheet. The contents and submission dates of these sheets are shown below. The contents were arranged with JICA and counterparts. Monitoring Sheets were shared with the GDT and both sides checked progress.

- a) Progress
- b) Delay of Work Schedule and/or Problems (if any)
- c) Modification of the Project Implementation Plan
- d) Preparation of Government of Mongolia toward after the completion of the Project
 - Version 1 August 2017 Submitted
 - Version 2 February 2018 Submitted
 - Version 3 August 2018 Submitted
 - Version 4 February 2019 Submitted
 - Version 5 August 2019 Submitted
 - Version 6 January 2020 Submitted

1-9 Terminal Evaluation Survey Preparation and Support for Implementation

Although the terminal evaluation survey was not conducted, at the 6th JCC held in December 2019, all the results of technology transfers, the degrees to which the targets were reached, work track records, and indicators were reviewed.

1-10 Preparation of the Completion Report

A work completion report was completed by the end of the project. The work completion report contains the following items.

- (1) Project outline (background / circumstance / goals)
- (2) Content of activities (project implementation structure/implementation content)
- (3) Degree of achievement of project purpose (degree of achievement of overall goals, degree of achievement of project purpose)
- (4) Issues, lessons for project implementation operation
- (5) Advice after the end of the project

Attached Materials

- PDM (history of transition)
- Work flowchart
- Plan of Operation

- Expert dispatch track record
- Training track record
- Provided equipment / portable equipment track record (including the handover list)
- Joint coordinating committee minutes
submitted in Mongolian, English, Japanese, and as a CDR.

Technical Cooperation Deliverables

- Baseline study report
- Human resource development plan for international taxation support
- International taxation training materials and curriculum
- Investigation and analysis report on international taxation implementation system
- Proposal for improvement of international taxation system
- Investigation report about delinquency settlement and notice
- Report on the effect measurement and issues of the call center
- Investigation report on tax office internal work
- Manual on Delinquent tax collection

International Taxation Field

2-1 Creation of a Human Resources Development Plan

Created in July 2017. All training was completed as shown in Table 2 on page 8.

2-2 Creation of Teaching Materials / Curriculum for Training Project

Created based on 2-1 Human Resources Development Plan. Refer to the attached materials for curriculum and teaching materials.

2-3 Preparation and Implementation of Advanced Level Local Training for International Taxation

Six advanced training sessions were conducted from the beginning to the end of the project. In line with the training in Japan, local training was promoted, and the experts were provided as lecturers. In knowledge skills, accurately and promptly understand issues in Mongolia's systems within the dynamically changing international taxation landscape and be able to provide useful and appropriate taxation system reform proposal to suit the circumstances. In Examination skills, accurately determine and understand advanced, complex international taxation avoidance schemes within international transaction, and be able to appropriately judge the taxation relationships for specific individual transactions.

The implementation period and the number of trainees are as follows. For details, see the attached “Educational Materials and Curriculum on International Taxation”.

- ① September 2017 International Taxation Advanced Training (40 people)
- ② November 2017 Special Training for International Taxation (40 people)
- ③ August 2018 International Taxation Advanced Training (40 people)
- ④ November 2018 International Taxation Special Training & Peer Review (40 people)
- ⑤ August 2019 International Taxation Advanced Training (40 people)
- ⑥ November 2019 Peer review (40 people)

2-4 Preparation and Implementation of Japan-Based International Taxation Training (Twice)

Information about the state of the activities up through the start of training, and about the current state of the field of international taxation, was submitted to the National Tax Agency, and its contents were organized. Selection standards for trainees were posted and support given to the GDT in the selection process. Support was also given for translating Japanese teaching materials into Mongolian.

Training goal: The goal is to strengthen trainees’ abilities to deal with issues based on BEPS, which is the global trend in international taxation. The ultimate goal is to impart high-level knowledge that makes it possible “to understand, within the constantly changing international tax environment, the problems in the tax system of one’s own country in a timely and accurate manner, and to then provide useful and appropriate proposals, firmly grounded in actual circumstances, for improving the system.”

Training features: To strengthen trainees’ knowledge, lectures were provided on the contents² of the BEPS package, and Japan’s approach, as regards each theme, and the current situation and approach in Mongolia regarding each theme were discussed.

The trainees: From 40 core employees, about 15 were selected as “the individuals who engage in formulating an international taxation system.”

Training provider: Japan’s National Tax Agency was the main training provider.

The first round was held from April 12 to April 19, 2018 with 15 participants. The second round was held from January 28 to February 5, 2019 with 14 participants. Curriculum and participant list are attached 5. See the training track record.

² Themes of the international taxation training in Japan is as follows:

First training: Case studies on international taxation in Japan and Mongolia,

Second training: “Transfer Pricing Tax System”, “Transfer Pricing Audit in Japan”, “Case Study”, and “Recent Trends Surrounding International Taxation”.

2-5 Monitoring Trainees' Work

This was carried out in September 2018. Trainees filled out a questionnaire, and experts then visited the trainees' workplaces and interviewed the trainees. By interviewing the trainees about how they were using the skills learned in training, it was possible to understand the actual state of the work. A report in which the results of this review were organized was submitted to GDT.

2-6 Preparation of Peer Review

A peer review evaluation policy was formulated in October 2018. The policy and the evaluation format shown below were clearly stated in writing and used in the peer reviews.

Table 3 Peer review evaluation sheet

Case	Team	① Quality			② Fact finding		③ Trial		④ Conclusion		⑤ total score	Comprehensive evaluation perfect score 5 ((5)×1/5)
		Net score	Score	Notices	Score	Notices	Score	Notices	Score	Notices		
1	1											
2	2											
3	3											
4	4											
5	5											
6	6											
7	7											
8	8											
...	...											
N	n											
Total score												
Average score												

[Evaluation factors]

- ① Quality: If is it tackling advanced and complex international tax cases? (Double the score given in 5 steps and evaluate it in 10 steps)
 - ② Fact finding: If is it able to grasp the tax requirements of the transaction without omission? (5-level rating)
 - ③ Analysis: If is properly extracted and interpreted the provisions of applicable laws and treaties? (5-level rating)
 - ④ Conclusion: Ability to apply appropriate legal provision on conclusions. Also, have ability to determine appropriate legal and regulatory proposals as needed? (5-level rating)
- [Comprehensive evaluation] The total score obtained by adding ① to ④ is multiplied by 1/5 and evaluated on a scale of 5.

2-7 Peer Review Implementation

The peer reviews were conducted in November 2018 and November 2019. The reviewees were divided into 8 groups and evaluated with a focus on the following points.

- ① Are the facts of taxation cases being accurately grasped (evaluated)? (Investigative ability)
- ② Are laws, ordinances and treaties being properly applied (interpreted)? (Judgment)
- ③ Are appropriate conclusions being drawn?
- ④ When appropriate conclusions cannot be reached, are the problems involved and the methods of solving them being recognized? (Ability to analyze problems and ability to propose solutions)
- ⑤ Are advanced, complex cases being undertaken?

2-8 Revising the Human Resources Training Plan

Based on the peer reviews, a sense of trainee ability levels was ascertained and problems were deduced and, based on that, the content of each kind of training was arranged as the training was conducted according the plan drawn up in 2017.

International Taxation: Systems Field

2-9 Investigations and Analysis of Implementation Systems Related to International Taxation

Building on the baseline survey, investigations and analysis related to international taxation were conducted. Hearing investigations was held with the Taxpayer Relations Department, the Tax Audit and Methodology Department (including the Statistical Analysis Section), the Risk Management Division, the Legal Division, the Large Taxpayer Office, and the tax offices (administered by the Tax Audit and Methodology Department), and compiled in the report and submitted.

The report was compiled and submitted in August 2018. A report was submitted in August 2018. In the work completion report, the project team proposed what the GDT should work with in the future.

2-10 Extraction of Issues Related to International Taxation Systems

Reviews were executed on the following systems. Transfer pricing (TP), permanent establishment (PE), tax havens, foreign dividend exclusion, foreign tax credit system, corporate inversion, undercapitalization, the overpaid interest tax system, international withholding income tax, non-resident taxation, foreign corporate taxation, international consumption tax (international VAT), international tax avoidance, international transaction contracts, tax conventions, and domestic tax laws.

2-11 Holding International Taxation Workshops

The survey results from 2-10 and 2-11 were shared in workshops.

2-12 Support for Preparing International Taxation Systems

With regard to the tax laws related to international taxation that were adopted, the JICA project team provided advice about implementation (including of systems). Moreover, with regard to cases that will presumably be dealt with in the future, the project experts gathered related case studies from Japan based on case law rulings, creating a collection of cases, and arrange it so that GDT employees can refer to the Japanese cases.

2-13 Advice for International Taxation Laws

Advice regarding to the preparation for notifications was provided. In light of the BEPS discussions, the JICA project also made proposals for the parts that will need to be revised in the future.

2-14 Regular Meetings with Counterparts

The JICA project experts held regular meetings and provided advice about research techniques, organizations and systems.

3. Collections

3-1 Preparation and implementation for Japan-based training for collections

Japan-based training was carried out from February 22 to March 1, 2017 with 15 participants. Support was also provided for operation and the translation of materials.

3-2 Investigations related to delinquency settlement and payment demands

Investigations of the current status to understand the details (both quantitative and qualitative) for delinquency cases and the level of collections staff at GDT.

Necessary reports were submitted in the end of 2017. Review of the above investigation was conducted appropriately and was reflected in work improvement.

3-3 Preparation and implementation for measuring effectiveness of call center operation

Regarding the operational effects, more than three years and eight months have passed since the start of the operation of the Tax Debt Call Center in March 2016, and during this period three times, December 2017, November 2018, and November 2019, the project experts had been measuring the number of outgoing calls, the number of payment pledges, the number of returns to the tax office, etc. Detailed policies were created for measuring the effects of operations. These included engagement status for OP payment demand work, incorporate trials and analysis from a range of perspectives that include by tax item, by tax amount, payment demand period, and payment demand time, and selection of the most effective payment demand targets. Measurements were carried out over about a year regarding the number of payment demands sent, the number of payment pledges made, the contact ratio, and other points. Results of the effectiveness measurements were shared with the call center, and also analyzed.

3-4 Advice for improvement for call center operation

Issues related to the notification work and points for improvement were extracted from 3-3, problems were shared, and recommendations for improvement were compiled. The project

team submitted “Operational status of the Call Center” dated on December 15, 2017, November 30, 2018 and November 30, 2019.

3-5 Support for call center improvements

Ongoing indirect supports were provided for initiatives for improving work operation, implementation systems, and so on.

Collections: Increased Internal Efficiency

3-6 Investigation analysis for internal administrative work in tax offices

In the first half of 2017, in order to research the situation with the performance of internal administrative work, the project team went and observed the tax offices in Ulaanbaatar Ulan, ascertained the situation with the work enforcement system and submitted the “Tax office internal work investigation report 2017.6.27).”

3-7 PC supply for increasing internal administrative work efficiency

In September 2017, a total of 72 personal computers were provided to the 2 tax bureaus of Chingeltei District Tax Office (40 units) and Songinokhairkhan District Tax Office (32 units) in Ulaanbaatar City.

3-8 Creation of Collections Manuals

Along with the revision of the General Tax Law, the project team supported the preparation of the format and collection manual. Regarding the internal administrative work processing manual, it was assumed that the bill of the revised law bill would be submitted to the Diet and that the internal administrative work would change significantly from the content of the revised law, and decided to work on the preparation of a general manual for delinquency collection.

In March 2019, the revised bill was approved by the Diet, and the collection procedure was dramatically changed due to the grant of self-enforcement rights, the introduction of the secondary tax obligation system, etc., and the smoothness in terms of urgency and necessity.

In August of the same year, we prepared a “Manual on Delinquent Tax Collection” and a “Forms” that contribute to strengthening collection duties and procedures.

3-9 Examination of the Collections Manual

After the general tax law was revised, activities 3-10 were to be reviewed (including the measurement of the effects of the provision of PCs), but the enactment of the revised tax law was significantly delayed, and the law was enacted in January 2020. As a result, the manual would be used nationwide after the revised tax law was enforced without trial.

3-10 Review of trial results

The review of the status of operations after the revision of the General Tax Law was not possible until the end of the project because the revised law was enforced in January 2020.

3-11 Creation of proposals for improving internal administrative work efficiency

Based on the results of the internal administrative work implementation status survey, an improvement plan was created. The proposal for improvement was submitted in November 2017 as a "Tax office internal work investigation report". It was also submitted in December 2018 and December 2019 as a "Tax office internal work investigation report", and shared them at JCC with the parties concerned.

3-12 Support for increased internal administrative work efficiency

The project team provided advice on organizational restructuring following the revised tax law to improve internal administrative work efficiency.

Collections: Support that occurs with tax system revision

3-13 Support for enactment of the revised law

Regarding the issuance of a notification by the GDT, creation of a new manual for collection procedures (mainly, manuals for seizure, public auction procedures, form documents, etc.) by grant of self-enforcement right, implementation of staff training, public relations activities, the project team supported the GDT's activities in such areas.

3-13-1 Development and review of notifications

In preparation for the revised bill being approved, the working group for developing the bill which was launched in GDT in 2018, was instructed to deepen understanding of the bill. After the bill was enacted, the project team assisted in drafting an enforcement order (Director-General's order) for the enforcement of the revised law.

Specifically, a notification (draft) was prepared for the four procedures of seizure of property, realization and distribution procedures, matters related to tax deferrals, and secondary tax obligations

In addition, after the enactment of the revised bill, training will be provided to the collection staff of the Soum tax office nationwide, the municipal tax office in Ulaanbaatar, and the collection staff of the Revenue and Budget Department on the point of the revision of the revised law, and support for the establishment of the revised law.

3-13-2 Preparation of a Manual on Delinquent Tax Collection

With the enactment of the revised law, the collection operation was dramatically changed

due to the granting of self-enforcement rights and the introduction of the secondary tax obligation system, and the collection operation would be smooth from the viewpoint of urgency and necessity, in order to contribute to strengthening the collection procedure, “Manual on Delinquent Tax Collection” and “Forms” were prepared and provided to the GDT in August 2019.

3-13-3 Coordination with court of execution, etc.

It was proposed that the following (i) and (ii) were reviewed by the time the revised law was enforced.

- (i) Handling of cases already transferred to the court of execution.
- (ii) Dividend procedures if there is a clash between tax receivables and other receivables (private receivables and other tax receivables).

3-13-4 Indirect support for publicity activities

The project team proposed the publicity to the public by mass media and to hold seminars for the Lawyer Association, Tax Accountants Association, and so on regarding that the tax authorities independently seize and public auctions.

3-13-5 Indirect support for collections staff training

A. Basic policy for training

With regard to the introduction of a new collection system, the training will impart specialized knowledge and collection skills to facilitate dealing with the new system’s dramatic changes in delinquent tax collection operations, so that such operations can be conducted smoothly.

Accordingly, to carry out the training, the project team first worked together with GDT to draw up training guidelines. Then, with GDT, the project team jointly conducted the below-mentioned types of training in a mutually reinforcing manner that enable knowledge of the revised law and collection skills to be acquired as a unified whole. For the time being team focused on vigorously supporting the training sponsored by GDT.

Training was conducted on September 20 and 21, 2019, to introduce the contents of the revised law and explain points to note when implementing it. The training was attended by 330 Soum tax inspectors nationwide and all 21 aimag tax offices chief nationwide.

3-14 Advice for future law revisions

The most important issue is to establish the revised law in the future. The project team discussed with legal stakeholders and provided the necessary advice about legal systems that need to be newly developed, such as the introduction of the “a statute of limitations system”

and the “discontinuing delinquency processing”, which were not included in the revised law, and the coordination of delinquency processing and compulsory enforcement, and so on.

3. Degree of achievement of project purpose

The achievement level of the project goal is described from the viewpoint of evaluation based on five DAC evaluation items.

Relevance: Whether the project purpose meets the needs of the beneficiaries, and is it consistent with the partner's government policy and Japan's ODA policy.

Effectiveness: Whether the project purpose has been achieved and the beneficiaries have benefits.

Impact: Whether the any positive and negative changes are resulting from the project implementation.

Efficiency: Whether the input resources are being used effectively

Sustainability: Whether the effects of the project will persist after the end of the cooperation

3.1 Relevance

Relevance is high, as it is consistent with Mongolian and Japanese policies.

Consistency with Government policies of Mongolia

The Government of Mongolia, in collaboration with the World Bank and the Asian Development Bank, within the framework of the IMF Program, is working on strengthening fiscal consolidation and establishing a basis for economic growth. Increasing revenues was a necessary part of fiscal consolidation, and the tax environment was required to renovate to increase revenues.

The new government's action plan, launched in 2016, has addressed macroeconomic stabilization, foreign investment, domestic production, and tax reforms to support the private sector as policies to overcome economic difficulties. The activities are consistent with this planning.

Consistency with assistance policy of Japan Government

The Government of Japan has selected and implemented three priority areas of assistance to Mongolia in support of development and strategic compliance with the Millennium Development Goals of Mongolia. This project is in line with one of the goals of Mongolia's Country Assistance Policy for Mongolia (2012), "Sustainable Development of Mineral Resources and Strengthening Governance". The human resource and institutional development of international taxation and tax collection leads to sustainable growth through ensuring the stability of the budget of Mongolia, and the private sector support through improving the tax environment leads to economic growth, which is consistent with the aid policy of Japan Government.

Based on the purpose of the Japan-Mongolia Medium-Term Action Plan for Strategic Partnership signed between the Foreign ministers in March 2017 (2017-2021), the "Country Development Cooperation Policy for Mongolia" (December 2017)), the above mentioned medium term purpose was stated that "The Mongolian Government should increase the government's public financial management capacity to strengthen fiscal discipline (revenue and expenditure management, etc.) , support the realization of a healthy macroeconomy by

strengthening governance through promoting a vibrant market economy by promoting FDI and improving the legal and systems, business environment in order to overcome economic and financial difficulties and achieve medium- to long-term growth and stabilization of the economy”. Thus, the project activities are consistent with the improvement of public finance management capacity, the development of laws and institutions, and the improvement of the business environment.

3.2 Effectiveness

The overall goal and the project purpose were almost achieved, and the effectiveness is high.

【Overall goal】 Mongolian Tax Administration in the field of international taxation and tax collection is further improved

The degree of improvement concerning international taxation and tax collection due to the revised law cannot be measured because the amendment is from January 2020. However, the revised law is a high-impact output of the assistance, and it comes into effect is expected to bring further improvement. The records of the detection of misfiling and non-filing in cross border transactions and of the Tax Debt Call Center have also improved since the beginning of the project.

【Project purpose】 Mongolian Tax Administration in the field of international taxation and tax collection is reinforced.

Mostly achieved (since the revised law was from January 2020, some indicators, such as the amount collected after this date, cannot be measured).

The legal foundation concerning the GDT was developed in the revised law concerning international taxation and tax collection. The right of self-enforcement, in particular, increases the authority of tax office staff, and the project team believes it will contribute to securing revenue. The ability to handle cross border transactions and tax collection of small-lot delinquencies by the Tax Debt Call Center has also been reinforced.

Mostly achieved.

【Objectively Verifiable Indicators】

(International taxation)

1. The number of advanced cases on audit of cross border transaction submitted by trainee during the peer-review is increased compared with that of the beginning of the project.

Such cases were almost nonexistent at the training at the beginning of the project. The first peer review was held in 2018, and 4 out of 8 cases were such cases. At the second peer review held in November 2019, 7 out of 8 cases were, and an increase was observed.

2. Knowledge is shared through case studies utilizing information of cross border transaction

collected and accumulated during the project period.

Trainings have been held by first examining cases of cross border transactions in various countries and Japan, and then using cases in Mongolia. Mongolian cases are utilizations of cross border transaction information that have been collected and accumulated. These are being utilized and shared in training.

3. A proposal on the revised law related to the international taxation is submitted by GDT, and received by Ministry of Finance.

It was accepted by the Ministry of Finance, and, in the end, was formed into the revised tax laws.

The project team contributed to the preparation of the following bills and notification.

A. General Tax Law

Related to transfer pricing taxation

General Anti Avoidance Rule (GAAR) (Article 16)

Mutual consultation provisions (Article 16)

Information exchange provision (Article 18)

B. Corporate Tax Law

Provisions defining domestic source income, etc. (Article 4)

Permanent establishment (PE) provision (Article 6)

Provisions for the overpaid interest tax system (Article 14)

Foreign tax credit system (Article 23)

Transfer pricing (TP) • country report (Article 27)

Controlled foreign corporation (CFC) provision (Article 31)

(Tax collection)

4. The number of cases dealt by the Tax Debt Call Center is increased compared with that of the commencement of the Center.

As shown in the following table, the number of demand notifications and the number of payments have both increased. The amount recovered during the project period is JPY 1.12 billion.

Table 4 Data on the Tax Debt Call Center

	Number of corporations in jurisdiction	Amount in jurisdiction unpaid (million tugriks)	of which number of corporations that paid	Amount paid (million tugriks)	Number of demand notifications by telephone
2016.3.-2016.12.31	23,201	10,694.6	13,745	6,405.4	31,202
2017.1.1-2017.12.31	50,389	12,215.3	31,706	7,458.9	39,930
2018.1.1-2018.12.31	54,927	13,221.3	36,461	8,243.8	69,665
2019.1.1-2019.9.30	42,503	9,682.4	26,486	5,946.3	44,245
Total	171,020	45,813.6	108,398	28,054.4	185,042

5. Manual submitted by the project is utilized at another district tax office in Ulaanbaatar on a trial basis.

Operation manuals have been submitted, but it was not possible to put them to trial use at a pilot subdistrict. They will be utilized as the finalized versions at tax offices throughout Mongolia.

6. Revenue is recognized as a result of execution of self-enforcing.

This value cannot be measured, since the revised tax laws come into effect in January 2020.

【Output 1】 Middle and advanced level knowledge and practical skills necessary for international taxation is acquired.

Output 1 was achieved.

Core members of the GDT staff responsible for international taxation, 49 members have attended training at the advanced level, through the training program. A system to accumulate cross border transactions was created, and the transaction information was utilized and shared in the training. Advanced and complicated cases have also increased since the beginning of the project, and the level of understanding has also progressed.

【Objectively Verifiable Indicators】

1.1 80% of trainees complete the prescribed training of five times (in 3 years).

The result was 88.1% excluding catch-up training and follow-up training (trainings for those who were not core members during the previous phase and for those who could not attend training in Japan) (as these trainings are not included in the indicator's five times). It was decided that one additional peer review was held.

Table 5 Training attendance rate

	1st time	2nd time	3rd time	4th time	5th time	Average
Training attendance rate in %	90.5	95	82.5	91.6	81	88.1

1.2 100% of trainees show an improvement in their Post-test score on the final day of training compared to their Pre-test on the first day.

Mostly achieved.

An average of around 10% of trainees were not able to take one of the tests, Pre-test or Post-test. This is due to trainees who were not able to attend on the day due to operational orders or health reasons. Further, there were two incidences (two trainees) of the Post-test score being lower than the Pre-test (because they were summoned for operations by a superior and did not return). With these excluded, 100% has been achieved.

1.3 More than half of all the cases submitted for peer review reach level 3.5 in the checklist evaluation.

Based on the peer review evaluation, advanced and complicated cases were set as 3.5 points. The result for the first peer review was 2.95, falling short of 3.5. The result for the second peer review was 3.58, achieving the indicator value of 3.5.

【Output 2】 Foundation of international taxation is further developed

Output 2 was achieved.

As for the organization for international taxation, a new unit that also handles international taxation issues was established in the department for national tax receipts and administration (SBRCD) in addition to the GDT’s department for tax administration and cooperation (TACD) handling international taxation issues, reinforcing the system for implementing international taxation. The project team believes that this, in conjunction with activities of output 1, has contributed to the detection of misfiling and non-filing in cross border transactions.

【Objectively Verifiable Indicators】

2.1. International Taxation Division of Strategy and Development Department and Risk Management Department of GDT collect and accumulate information related to the audit on cross border transaction.

Accumulation of cross border transactions started in 2017, and a cumulative total of 309 cases had been audited as of September 2019.

Table 6 Cross border transaction data count (as of September 2019)

Fiscal year	Number of corporations audited	Number of corporations audited for cross border transactions (to detect misfiling and non-filing)
2017	4,968	68
2018	6,207	153
2019	3,567	88

2.2 Japanese project team finalizes a proposal on future taxation reform including establishment of source rules on domestic source income, expansion of systems related to international tax avoidance, and development of system for the elimination of international double taxation.

2.3 (* Regulations related to international taxation based on the revised law are issued by GDT.)

As for the notification, it was created by having the experts draft a GAAR proposal, and ownership was weighted for the rest by having the GDT create it before being advised by the experts. It is in the public comment phase at the time of writing. It was modified later according to expenses and issued during the project period. The project team contributed to the preparation of the following bills and notifications.

A. General Tax Law

Related to transfer pricing taxation

General Anti Avoidance Rule (GAAR) (Article 16)

Mutual consultation provisions (Article 16)

Information exchange provision (Article 18)

B. Corporate Tax Law

Provisions defining domestic source income, etc. (Article 4)

Permanent establishment (PE) provision (Article 6)

Provisions for the overpaid interest tax system (Article 14)

Foreign tax credit system (Article 23)

Transfer pricing (TP) · country report (Article 27)

Controlled foreign corporation (CFC) provision (Article 31)

The outcome from the tax law amendments above cannot yet be measured.

【Output 3】 Foundation tax collection is strengthened.

Output 3 was achieved.

【Objectively Verifiable Indicators】

3.1 Function and targeted party of the Tax Debt Call Center is reexamined.

Since the operational policy was amended in 2017, the ratio of the number of pledged payments have increased, and less cases have been returned to tax offices. This is due to having narrowed down notification targets with three conditions (that it is a newly arising delinquency, of three tax items, and the amount delinquent for each tax item is less than MNT 1 million), making it possible to be more efficient in issuing demand notification. Further, coordination with tax offices have been successful, and efforts made, including quick resolutions of cases such as those returned, are leading to more efficient operations.

3.2 Manual for improvement of tax collection and its related work is submitted by the project and is received by GDT.

The manual conforming to the new tax laws created by the experts was submitted to the GDT in August and was accepted. As of December 2019, the regulation (notification and enforcement order) is in the public comment phase, and the manual was finalized afterward.

3.3 GDT issues regulations related self-enforcing and completes development of necessary materials including manuals.

The experts created a notification concerning procedures for conversion into cash by public auction or by negotiated contract; a notification concerning the seizure, confiscation, storage, and preservation of a delinquent party's property; a notification on collecting delinquent taxes from a party with the secondary obligation; and a notification concerning the deferring of tax payments. As of December 2019, the regulation (notification and enforcement order) is in the public comment phase, and the notification was finalized afterward. The manual was submitted in August 2019 and was finalized in January 2020 after considering public comments.

3.3 Efficiency

Although the project was always conscious of the efficient implementation of activities, it often occurred that on-site surveys could not be conducted effectively due to the political movement of the tax law revision. For example, when a revised tax law bill adopted as a result of the project activities was deliberated, the project experts were introduced to support parliament, but parliament itself was suspended or postponed. As a result, the revision of the tax law was at the end of the project, and it was not possible to conduct trials at the pilot tax office using the originally scheduled business manual, and the implementation was carried out without trials.

Further, since the revised law proved to be on a grand scale, constant response was required, greatly increasing domestic tasks. Under JICA's present system, reallocation of man-month between local and domestic is flexible, so there was not increase in project budget. Although it

was possible to efficiently support the drafting of bills from the project, it is thought that the inclusion of the tax law revision support, which was difficult to foresee, had a considerable effect on efficiency.

3.4 Impact

It can be said that the impact is high, such as improving the collection performance, but the figures due to tax reform cannot be measured at present.

Overall goals: Mongolian Tax Administration in the field of international taxation and tax collection is further improved.

The degree of improvement due to the amendment of laws concerning international taxation and tax collection cannot be measured because the amendment is from January 2020 (especially for indicator 4, any increase in cases collected and the like as a result of carrying out the right of self-enforcement cannot be measured).

Ripple effects: The project played a direct part in a grand amendment of the taxation system. This has great impact. As for economic and social effects, the project team believes the appropriate introduction and use of the right of self-enforcement will play a part in revenue. Further, the reinforcement of rights of seizure has a great impact socially. Appropriate use is desired.

【Objectively Verifiable Indicators: for overall goals】

(International taxation)

1. Detection rate of misfiling and non-filing on cross border transaction is increased compared with that of the project completion

Table 7. Data on cross border transactions

Fiscal year	Number of corporations audited	Number of corporations audited for cross-border transactions (to detect misfiling and non-filing)	Percentage of misfiling and non-filing detected	Amount of detected misfiling and non-filing	Total (delinquent tax, additional tax, tax on delinquency, interest)	Amount collected	Percentage collected
2017	4,968	68	1.369	43,719,721,329.6	4,680,373,740.9	869,823,026.2	18.6
2018	6,207	153	2.465	2,191,523,600,031.1	328,930,967,763.3	4,268,848,918.6	1.3
2019	3,567	88	2.467	106,572,201,046.8	10,851,937,460.1	1,800,150,399.4	16.6

Notes: Amounts are in MNT. Data for 2019 are until the end of September.

The percentage of misfiling and non-filing detected has increased, though by a small amount, in 2019 over 2018. JPY 240 million has been collected.

The reason for the great difference in the 2018 amount is that the delinquent amounts collected from two large corporations were great.

Company A (a mining company) had owed MNT 296,000,000,000 (JPY 11.8 billion). This accounted for approximately 90% of the total.

Company B (a bank) had owed MNT 4,000,000,000 (JPY 160 million). This accounted for approximately 1.2% of the

total.

When these are excluded, the amount collected becomes MNT 192,854,076,802, and the percentage collected becomes 11%. Some cannot be collected during the year but are collected in the following year or later, increasing the amount and percentage collected.

2. For future revise of relevant laws related to the indicator 2-2 of output 2, GDT submits revised proposal to the Ministry of Finance based on their instruction.

The items below were submitted and accepted.

A. General Tax Law

Related to transfer pricing taxation

General Anti Avoidance Rule (GAAR) (Article 16)

Mutual consultation provisions (Article 16)

Information exchange provision (Article 18)

B. Corporate Tax Law

Provisions defining domestic source income, etc. (Article 4)

Permanent establishment (PE) provision (Article 6)

Provisions for the overpaid interest tax system (Article 14)

Foreign tax credit system (Article 23)

Transfer pricing (TP) • country report (Article 27)

Controlled foreign corporation (CFC) provision (Article 31)

3. Tax Debt Center is not decreased or is increased compared with that the project completion.

As shown in Table 5, both the number of demand notifications and the number of payments have increased. The amount recovered during the project period is JPY 1.12 billion.

4. The number of cases dealt as the self-enforcing is increased.

Measurement is not possible because it came into effect in January 2020.

3.5 Sustainability

Administration:

Laws concerning international taxation and laws concerning tax collection have been adopted and made effective as laws, so their sustainability is high. However, citizens may become involved, especially with laws concerning tax collection, requiring appropriate operation.

Organization:

The GDT will continue to exist as a vital agency of the country, so they are expected to ever utilize the outputs of this project. Future organizational issues, including the new tax law

enforcement system, and countermeasures are described below. From a sustainability point of view, it is necessary to consider the reorganization align with the IMF's advice on segmentation of taxpayers.

Finance:

Continued training is desired to reinforce the practical operations concerning the new tax laws.. Continuous training should be undertaken to ensure the law enforcement, and the required training budget should be included in the GDT's annual budget.

Skill:

In the tax collection field, the manual and the like for the right of self-enforcement and other topics are basic. Enforcement of competence is required, such as by creating a compilation of case studies after cases have arisen. The technical skill aspects of international taxation and collection from the perspective of sustainability are described below.

3.6 Factors that contributed to the production of effects and factors that affected the implementation process

The project commenced as a joint loan was being issued. One of the conditions for the loan was to reinforce revenue, and this provided a push to introduce tax laws. Mongolia had been put in a condition that made it easy to avoid paying taxes due to factors such as the lack of right of self-enforcement and the lack of secondary tax obligation. Though most in parliament were expected to be opposed, under the circumstance of financial difficulty, under the circumstance of receiving loans, the environment was set to be adopted in parliament without a fight. As for international taxation, in 2017, the EU had placed Mongolia on a blacklist of countries uncooperative in countering tax avoidance. Mongolia had then promised the EU to revise its domestic law and to join a related treaty and had been taken off the blacklist in 2018. This became the reason for Mongolia to adopt BEPS measures, and the visibility of their active initiative in international taxation played a part in the production of effects.

The fact that the GDT has been a longtime recipient of JICA's cooperation and is in a circumstance conducive to considering the opinions of the experts also played a part in the production of effects.

In the implementation process, the current commissioner is the deputy minister of the Ministry of Finance, providing an environment facilitating good communication with the Ministry of Finance, and this also has a good effect on the implementation process.

4. Issues and lessons in implementing the Project

4.1 Issues

The initial plan for the project was to perform a trial of improvements to tax collection operations at a pilot tax office. However, since a large-scale revise of tax laws concerning tax collection was expected and this would have a great effect on operation flow, the decision was made to implement manual creation and training after the adoption of the revised tax laws. However, with events such as the deliberation in parliament being postponed, the effective date of the revised tax laws became later than initially scheduled, and the trial itself could not be conducted. The situation was handled with the alternate plan of creating manuals, holding trainings, and commencing operations according to the enforcement order without a trial.

Training of core staff responsible for international taxation was implemented during the first phase of the project (beginner and middle training). Although the core staff trained in the first phase were to be trained in the second phase, half of the trainees selected in the first phase changed due to maternity leave and personnel changes at the start of the second phase, and were newly selected. It was necessary to re-execute unscheduled beginner and middle training for the trainees to fill the gap in knowledge. As the criteria for selecting core staff were English proficiency and age, staff with no practical experience were also selected, and there was a difference in the level of practical experience among trainees in advanced training, which mainly teaching practical and case studies. Thus, a training results may be affected by the selection of trainees. In the case of Mongolia, there is a risk that personnel changes will occur due to political factors, and the trained personnel will not be able to attain an appropriate position. However, it can be said that the GDT is relatively stable compared to other state agencies.

4.2 Lessons

The revise of tax laws has a social impact, and the road to adoption is not easy. Bill creation at the GDT, the subsequent explanation to the Ministry of Finance, and the modification based on comments from the Ministry of Finance and the resubmission can be carried out mostly as planned. However, as for deliberation in parliament, when the sessions of parliament will be held is very uncertain, and sessions may be postponed due to political reasons. Schedules for projects never go as planned. A flexible response is required, and an adaptable response is required, including local tasks, domestic tasks, and the amount of input.

5. Suggestions following the conclusion of the Project

5.1 Issues and Suggestions Common to International Taxation and Tax Collection

(1) Human resources development and Sustainable training system

【International taxation】

- 1) In response to the revised tax laws concerning international taxation, the urgent task for the GDT internally is to commence the application of the laws to the level of practical operations.

Countermeasures

The target cases are expected to increase, complicate, and sophisticate by expanding the taxable range that could not be taxed under the old tax law. The key to success is whether the GDT can properly apply the new rules to effectively prevent tax avoidance of the foreign capital, and information gathering through international networks such as tax treaties.

Through this project, human resources capable of confronting international taxation have been trained. However, in order to continuously respond to the increasing, complicated, and sophisticated international taxation cases under the new rules, it is necessary to improve the quality of the staff as well as the number. In order to increase the number of human resources who can respond to international taxation, it is necessary to quickly establish an education and human resource supply system through training centers and on-the-job training (OJT).

- a) Strengthening the function of the training center (Development of basic international tax training currently being conducted by the training center. For example, introduction of case lectures for general staff by core staff, establishment of an intermediate program for international tax, etc. Establish a rotation system like “site → training center → site” as the NTA, Japan and provide more practical training programs continuously.)
- b) Case study (Transfer pricing, tax avoidance scheme, PE investigation etc.)
- c) Compilation and distribution of tax dispute casebooks (court rulings, National Tax Tribunal rulings)
- d) Practical guidance during the tax audit process

【Tax collection】

- 1) For tax collection to be performed correctly according to the revised law, trainings are indispensable, and the acquisition of knowledge and experience involving the exercise of the right of self-enforcement is an especially urgent task.

Countermeasures

The GDT had provided trainings on the new tax system and the revised regulations adopted after the enactment of the revised tax law to Soum, district tax offices, city tax offices inspectors,

and inspectors of the Budget and Revenue Management Department and the Project experts lectured on the changes between the old tax system and the new tax system. The work on drafting relevant regulations and enforcement orders has been developed in accordance with the contents of the revised tax law, and now under the final approval stage. It is necessary to finalize the manuals and forms that have been submitted by the project experts, and carry out the following training on them

(Phase 1)

1) Trainings should be held for executives of the GDT and for those at the chief inspector (section chief) level of the collection section of tax offices covering a summary of amendments to the tax collection system.

2) Trainings should be held for core staff of tax offices concerning the basics of delinquency processing administration, property investigation methods, property seizure procedures, conversion into cash, distribution procedures, secondary tax obligation, and the deferring of tax payments from the viewpoint of practical operations.

(Phase 2) For early acquisition of knowledge about the revised law and tax collection skills, trainings as applicable as possible to practical operations should be held for all staff of tax offices. They should be held when possible, mixing GDT-sponsored training, tax office training by region, and tax office training and be suitable for each of the levels beginner, middle, and advanced.

(Phase 3) After about 2 years has elapsed since the revised law have come into effect and they have become established, instruction and training for specialized tax collection skills (for example, methods of valuing seized property and how to collect from difficult cases) should be held.

(2) Improvement of Execution System

【International taxation】

1) The most important audit procedures in international and domestic tax auditing, such as audits of bank accounts, are essential.

It is good that the concurrent operation system, in which an inspector's operations were a mix of collection and taxation, has ended. However, on-site audits of bank accounts and other procedures most valuable in domestic auditing are not being implemented (though they are legally possible).

Countermeasures

Introduction of audits of bank accounts should be considered to complement the international flow of funds and tax evasion.

2) Necessity of Case studies of taxation in other countries.

Studying judicial precedents for TP and the like in the USA and other countries advanced in international taxation proved to be useful for Japan.

Countermeasures

The GDT should study judicial precedents in other countries for legal consideration and to establish a system of auditing according to industry.

3) Timely Revision of Tax law by the GDT and the Ministry of Finance of Mongolia.

Countermeasures

Mongolia should change to a system that can revise tax systems annually. In contrast to tax collection laws, laws on taxation may be swayed by the economic conditions of the times. Further, international taxation laws in advanced countries are changed for reasons such as changes in theory that occur at the OECD and similar international agencies nearly every year. There is a need to amend the laws each time. Unless the presence or absence of revise is checked every year, tax systems will lag behind the international standard.

4) Necessity of teaching materials in English.

There are no teaching materials on international taxation in English. Many issues in international taxation cannot be dealt with unless the staff understand them in English.

Countermeasures

A compilation of TP case studies created by the JICA project in English, the edition with the Mongolian language, is a very excellent teaching material in this regard. It is necessary to reprint it, distribute it to all staff concerned, and for the GDT to use this teaching material of its own initiative to continue to provide training.

5) Necessity of systematic organization of the GDT and the Ministry of Finance concerning international taxation.

Specialized audit agencies should be created in the GDT, categorized into 1) the section specializing in TP auditing and 2) the one specializing in the rest of the tax treaties, PE, tax havens, and the like. Without such specialized agencies, staff is not specialized, and their auditing ability is also reduced.

Countermeasures

- Establish two international taxation sections in the GDT that specialize in large corporations: TP and the rest (such as PE). A TP section by itself is insufficient. Their theories are different, and it is not possible for staff members to process both concurrently. These are classified in Japan, as well, and not classifying them poses the risk of accumulating shallow audit experience.

Further, another issue to consider is to create a special section in the audit authority that can provide instruction for international taxation audits performed regionally, for example, at the Umnugobi Tax Office. Because this does not exist, international taxation problems of the regions (TP, in particular) had not become an important problem for the GDT.

- Create an international taxation section in the GDT's audit authority and equip them to provide instruction for tax offices on TP problems and the like.

The GDT has more thorough knowledge of specific international taxation problems and applied international taxation theory, but

- 6) Issuance to the Ministry of Finance regarding international taxation problems.

Countermeasures

Create an office for communications on international taxation between the Ministry of Finance and the GDT and pursue communication. The Ministry of Finance and the National Tax Agency of Japan have a regular mutual exchange of personnel (no such personnel exchange exists in Mongolia) and mutual understanding is pursued.

- 7) Necessity of reconsideration of the GDT's dispute committee as an organization.

The GDT's dispute resolution committee is GDT's tribunal organization, the organization that receives all taxpayer claims before legal proceedings. It can be described as operating earnestly, but it is not specialized in ability. There is no separate international section, and accumulation and analysis of cases is meager.

Countermeasures

The GDT should consider Japan's tribunal organization well and build an appropriate system, such as by clearly classifying sections for 1) tax collection, 2) domestic taxation problems, and 3) international taxation problems.

- 8) Needs of teaching materials for audit methods according to industry, for corporate or personal or for domestic or international.

The staff do not have the point of view of auditing according to industry. Organizationally, as well, there is no department to consolidate the audit methods used by all sections of the GDT according to industry, so experience auditing each industry is not being utilized.

Countermeasures

A compilation of points to watch by industry in auditing, similar to that possessed by each industry team of the audit department of Japan's national tax authority, should be created, led by the GDT's cooperation authority and GDT's audit authority.

【Tax collection】

- 1) From a long-term point of view, what organization, what system should be developed so that the ability of the organization can be maximized to collect delinquent taxes effectively and efficiently.

Countermeasures

Development should be undertaken, for example, to establish a department to which tax collection staff rich in knowledge and experience are assigned to process delinquent cases that are large or difficult case, to introduce operations over a wide area by assigning a large number of staff to central offices over a wide area to liquidate the delinquency of target offices in a wide area to push forward with delinquency processing over a wide area, or to create a specialized department for the effective conversion of seized property into cash.

- 2) From a short-term point of view, what attitude should be taken toward resolution for efficient, stable resolution.

Countermeasures

For example, to contact a greater number of delinquent parties, negotiate to reduce the delinquency, and exercise the right of self-enforcement in the correct way, what sort of jurisdictional distribution of cases would be suitable? What should the attitude toward resolution be in negotiating with maliciously delinquent parties or in enforcing seizure on movable property when resistance is anticipated? Measures on such situations must be undertaken.

5.2 Issues and suggestions for the international taxation field

To combat international tax avoidance by multinational corporations, the OECD and G20 initiated the Base Erosion and Profit Shifting (BEPS) Project in June 2012 covering 15 actions. A final report on the results of consideration and suggestions was published in September 2015. Mongolia used these suggestions as the core and formed fundamentally revised tax laws on tax systems concerning international taxation in parliament in March 2019, and the new tax system came into effect in January 2020. This leads us to conclude that the initial purpose of our project, having guided and having assisted the building of a modern international taxation system by advising the enactment of the law and developing human resources as ‘assistance for international taxation system initiatives,’ has been achieved.

The tax systems concerning international taxation in this amendment are more detailed than in the previous law and cover a wider range of transactions. They especially reinforce the national tax authority’s right to tax foreign corporations. If these are not properly enforced, the policy objective of a valid prevention of tax avoidance by foreign corporations to secure tax revenue cannot be achieved. On the other hand, if tax is imposed unfairly, without legal grounds, there is a risk of causing foreign investment to flee, a phenomenon with negative consequences for the

country's economy.

Therefore, the next assignment inevitable for Mongolia is the proper operation of the new tax systems. Proper enforcement of the new tax systems must be secured and moved forward by forming an appropriate framework and developing human resources so that these new, modernized tax systems do not become castles built in the air.

5.2.1 Issues concerning tax treaties

1) Necessity of revision of unfair tax treaties.

In particular, there is an inequality in the basic period for recognizing PE taxation in transactions inbound for Mongolia (some treaties are close to 2 years, in contrast to the OECD recommendation (1 year), the UN recommendation (6 months), and the like). When Mongolia's period for recognizing PE taxation is longer on inbound transactions, taxation by Mongolia is difficult, and this issue has not been resolved.

Countermeasures

The text of all tax treaties should be revised based on the OECD or the UN recommendation. Further, when concluding a treaty, it must be compared to the latest BEPS convention. Failure to do so will result in a disadvantage for Mongolia when negotiating treaties with other countries. Now, when the text of major articles for international tax has been enacted, is the best timing for the GDT to revise unfair treaties.

There is a need, for example, to closely examine "The report On Problems With Concluded Tax Treaties" that the experts have submitted to the GDT on treaties concluded by Mongolia's Ministry of Finance and to start compiling what must be revised in the text of each article of the tax treaties.

2) A tax treaty has not been concluded between Japan and Mongolia. Economic issues arising from this should be considered.

It is a great problem that economic transactions between Japan and Mongolia are important, but a tax treaty has not yet been concluded. Without a tax treaty, the problem of double taxation in Japan and Mongolia cannot be resolved.

Countermeasures

The GDT, the one that is thoroughly familiar with where international tax occurs and is facing practical problems in international taxation, should create a proposal for a new treaty, ahead of the Ministry of Finance, and submit it to the Ministry of Finance of Mongolia to rapidly formulate a proposal for a tax treaty between Japan and Mongolia.

3) Necessity of accession to multilateral treaties and multilateral systems.

Mongolia is not party to most multilateral treaties concerning international taxation, and, for this reason, is deprived of information that could be obtained from other parties of multilateral

treaties.

Countermeasures

The project has pointed out the significance of multilateral treaties to the GDT, but it was unable to consider it so actively, since treaties are the jurisdiction of the Ministry of Finance of Mongolia. Some important systems closely linked to the execution of tax duties, such as the exchange of information, have recently been established. The Ministry of Finance of Mongolia and the GDT should review the following multilateral treaties and systems, inquire, pursue membership, and otherwise make use of them in the future administration of international tax.

- (1) Convention of measures to prevent BEPS (68 signatories as of June 2017)
 - (2) Convention on Mutual Administrative Assistance in Tax Matters (finally 92 signatories)
 - (3) Automatic Exchange of Information system for financial information (Common Reporting Standard (CRS)) (102 signatories as of 2018)
- 4) Understanding of the latest theory of tax treaties by GDT staff and Ministry of Finance staff responsible for tax systems.

Understanding of the latest theory of tax treaties by GDT staff and Ministry of Finance staff responsible for tax systems cannot be described as adequate.

Countermeasures

- There is a need to hold trainings for understanding the BEPS convention itself. Mongolia will not be successful in matching advanced nations in the coming formulation of tax treaties unless the text of the articles of the BEPS convention are understood. Abstract understanding of the theory is not enough. Understanding through specific, article-by-article training at the GDT will be required.
- Since conclusion of new treaties are foreseen, a study of the text of important model articles should be undertaken immediately.

There is a need to study the formulation of the text of new model provisions based on BEPS and treaties concluded by Japan as to the text of important articles: provisions concerning investment (interest, dividends, and royalties), PE provisions, provisions concerning transfer pricing, information exchange provisions, mutual agreement procedure provisions, foreign tax credit provisions, provisions concerning GAAR, and the like.

For foreign tax credit, as well, without a treaty, foreign tax credit does not fulfill its function to eliminate double taxation. Foreign tax credit existing only in domestic laws raises the possibility that the prevention of double taxation will cease to be undertaken seriously (because rules for foreign tax credit in domestic laws is not as obligatory as a treaty).

5.2.2 Issues concerning international taxation laws

- 1) Necessity of APA.³legislation in new international tax legislation.

Article 17 of the General Tax Law has provisions for a mutual agreement procedure, but there are no rules for advance pricing agreements (APA). The JICA experts suggested initiating APA, however, there are no APA provisions in this revise.

Countermeasures

The GDT should consider the initiation of APA laws or regulations. This is because the mutual agreement of transfer pricing, which prevents international double taxation, becomes efficient only when an APA system exists.

- 2) A compilation of case studies of enforcement orders, notification, and tax calculations concerning international tax has not been formulated.

It is physically impossible to cover everything under laws. In enforcing international tax in the practical (in tax calculation, for example), practical operation will be difficult without a compilation of detailed case studies of enforcement orders, notification, and calculations for each field such as TP, as has been found to be the case in Japan.

Countermeasures

The GDT should immediately formulate a compilation of calculation case studies, referencing Japanese laws.

- 3) Development of a transfer pricing notification (will prove to be a reference in GDT's implementation of the new laws)

The GDT has developed many laws for transfer pricing for this revise, but nothing at the level of Japan's notification have been proposed. Japan's notification on transfer pricing are as follows. The GDT should thoroughly reference these in performing practical taxation on transfer pricing.

Countermeasures

Become thoroughly familiar with the system of Japan's TP notification.

For each of the items below, Japan has established detailed rules in 1) the Act on Special Measures Concerning Taxation, 2) the Order for Enforcement of the Act on Special Measures Concerning Taxation, 3) Regulation for Enforcement of the same, 4) Notification for the same, 5) the Commissioner's Directive on the Operation of Transfer Pricing, and 6) a compilation of reference case studies (a previous version was created in the first project).

- a) Special provisions on taxation of transactions with a foreign affiliate
- b) BEST method
- c) Traditional transactional methods

³ The APA (Advance Pricing Agreement) is a method for calculating the arm's length price of a foreign-related transaction covered by the application, in order to ensure the taxpayer's predictability of the transfer pricing taxation by the tax authorities confirming the contents in advance.

- d) Comparable uncontrolled price method (CUP method)
 - e) Resale price method (RP method)
 - f) Cost plus method (CP method)
 - g) Methods consistent with the three (other methods prescribed in the Cabinet Order)
 - h) Comparable profit split method (comparable PS method)
 - i) Contribution profit split method (contribution PS method)
 - j) Residual profit split method (RPS method)
 - k) Transactional net margin method (TNMM) (sale to a related foreign party)
 - l) Transactional net margin method (TNMM) (purchase from a related foreign party)
 - m) Methods consistent with PS or TNMM
 - n) Loan of tangible assets
 - o) Lending of machinery, equipment, and the like to consignment manufacturers
 - p) Loaning or lending of money
 - q) Provision of services
 - r) Licensing of intangible property and the like
 - s) Cost contribution arrangement
 - t) Contributions
 - u) Transfer of money for price adjustment
 - v) Adjustment of return with arm's length price
 - w) Income transferred overseas
 - x) If receiving a refund of overseas income
 - y) Transaction with a foreign affiliate performed through a non-affiliate
 - z) Prescription of taxation by estimation
 - aa) Presentation or submission of books and documents held by foreign affiliates
 - bb) Tax collection of information from third parties
 - cc) The significance of the authority to inquire and inspect
 - dd) The obligation to present identity documents
 - ee) Penal provisions
 - ff) Dual criminal liability provision
 - gg) Obligation for submission with final tax return (Appended Table 17 (4))
 - hh) Special provisions on the time limit for correction
 - ii) Special provisions on the statute of limitations on the right of tax collection
 - jj) Special provisions on the calculation of the tax on delinquency in the case of an agreement based on a tax treaty or the like
- 4) Creation of diagrams and tables

The GDT should consider creating the necessary diagrams and tables below, referencing

diagrams and tables in Japanese laws.

- a) Form concerning the refund of income transferred overseas
- b) Regarding consensus in mutual agreement procedure (notification)
- c) Regarding closure of mutual agreement procedure (notification)
- d) Written retraction of petition for mutual agreement procedure
- e) Written petition for mutual agreement procedure
- f) Form concerning refund for corresponding adjustment
- g) Request for arbitration
- h) Form concerning the confirmation of arm's length price calculation method
- i) Appended Table 17 (4)
- j) Checklist for checking the status of TP initiatives

5.3 Issues and suggestions for the tax collection field

5.3.1 Matters to undertake after the conclusion of the project

The revised law introduced new systems that did not previously exist in Mongolia's General Tax Law, such as the right of self-enforcement, priority of tax claims, secondary tax obligation, and the deferring of tax payments. The issue for Mongolia now is how it can properly operate the revised law and allow it to become established. For this to occur, matters the GDT should undertake after the conclusion of the project include establishment of a system for enforcement, training to further the knowledge and skill of staff, creation of manuals and forms, resolution of problems that arise in enforcement, consultation for resolution of individual cases (difficult cases), development of an environment for enforcement, and coordination of procedures with the execution court.

The revised law has granted tax collection staff great authority to self-enforce. For this reason, it is an urgent task to have them gain experience in seizure of property, conversion into cash (public auction), distribution procedures, and the like. After the revised law come into effect, in-depth training and instruction must be provided for tax collection staff to operate the new system smoothly and to allow it to become established. If this does not go well and introduction were to fail, it would certainly cause great confusion in tax collection and would have a great effect on society as a whole. The detriment would be incalculable.

1) Creation of manuals and forms

Creation of a delinquency processing manual exhaustively covering all processes and procedures—the basics of delinquency processing starting with contacting a delinquent party, from negotiation for the deferring of tax payments, secondary tax obligation, property investigation, seizure of various property, conversion into cash, and concluding with distribution—so that staff with little experience can perform delinquency processing and

development of forms concerning the various delinquency processes should be undertaken.

Countermeasures

The project experts prepared a draft of the manual and form and submitted it to the GDT. However, since various regulations, which should be applied were not approved by the end of the project and also the implementation structure was not reorganized, thus the contents of the manual should be revised with the approval of these regulations. Furthermore, after the implementation structure is reorganized, it is necessary to work on the preparation of detailed manuals such as manual for officials in charge of self-enforcement right, manuals for general tax collection officials, and manual on procedures such as property investigation and seizure of property.

2) Resolution of problems that arise in enforcement

By tax collection based on the revised law, problems such as obstructions to enforcement and complaints and the like about enforcement are foreseen to arise.

Countermeasures

If these are not resolved in an appropriate manner, smooth tax collection cannot be expected and may affect the reputation of the revised law. It is necessary to work on issues, related with the occurrence of delinquencies and their processing, establishing "Reporting, contacting, and consultation desk to centrally manage and use them to deal with future issues."

3) Consultation for resolution of individual cases (difficult cases)

For resolution of individual cases (difficult cases), visiting tax offices in turn to offer consultation and similar activities should be undertaken.

Countermeasures

A consultation for individual cases (difficult delinquent tax cases) should be set up, or the tax office should be visited to find and provide guidance on settlement of the individual cases (difficult delinquent tax cases).

4) Development of an environment for enforcement

So that tax collection under the new system is implemented smoothly, the GDT should proceed with public relations initiatives.

Countermeasures

GDT should proceed with public relations initiatives toward the media, accountant associations, lawyer associations, and the like regarding changes in the tax collection system (such as by creating resources and holding seminars).

5) Coordination of procedures with the execution court

The revised law resulted in a coexistence of delinquency resolution procedures carried out by the state and the execution of sentence proceedings carried out by the execution court.

Countermeasures

Coordination between the two proceedings (coordination such as of double seizure, right of conversion into cash, granting of monies left over from delinquency resolution to the court) has not been carried out, and this should be undertaken by establishing laws involving the coordination.

(Reference) Major details included in the amendment of the General Tax Law are as follows.

- Granting of the right of priority collection of taxes (Taxes are granted a position subordinate to claims secured by security right but superior to general private claims.)
- Introduction of the right of self-enforcement (The administrative agency itself is granted the right to seize the property of delinquent parties, publicly auction the property, and distribute the converted cash to collect delinquent taxes.)
- Introduction of a system of extended tax payment obligation (A system of secondary tax obligation is introduced in which, when delinquent taxes cannot be collected from the delinquent party, a supplementary obligation to pay the tax can be placed on parties with a certain relationship with the delinquent party in order to collect the delinquent taxes.)
- Introduction of a system of immediate tax collection (A system of advance tax collection is introduced in which, if there is a risk of not being able to collect if left until the due date, payment may be demanded for an earlier due date.)
- Introduction of a system easing payment of taxes (A system of extension of tax payment is introduced in which, if it is recognized that a taxpayer cannot pay delinquent taxes due to facts such as being a disaster victim or having suspended or discontinued business, the tax payment date may be extended for 1 year (for a period not exceeding 2 years after extension).

The following incentives of taxpayers were included in this bill, except above written proposals by the project experts:

- In case that a taxpayer cannot pay delinquent taxes due to facts such as being a disaster victim or having suspended or discontinued business, the tax payment date may be extended for not exceeding 2 year (the existing law allows 60 days).

(Proposed by the project)⁴

⁴ Due to the accumulation of small delinquent amounts and delinquent amounts related to difficult-to-process cases that cannot be processed even through the execution court, the GDT was not able to collect under the old tax law. Thus, the project experts have proposed to add provisions on self-enforcement right to reduce delinquencies to the General

- An extension of 1 year is given if a taxpayer voluntarily files an amended return.
- Businesses with annual sales of less than MNT 50 million (that are not taxpayers of value-added tax) are obligated to file a tax return four times a year (every quarter) and pay a corporate tax of 10% of taxable income according to the existing law. With this amendment, the filing of tax returns is reduced to once a year, and these businesses will be able to select a simplified method of paying a corporate tax of 1% of sales.⁵
- Businesses with annual sales of MNT 50 million or greater and less than MNT 300 million and businesses with annual sales of MNT 300 million to less than MNT 1.5 billion are obligated to file a tax return twice a year (semiannually), and the corporate tax will be reduced to 1% of taxable income. Businesses with annual sales of MNT 300 million to 1.5 billion, however, will initially pay a corporate tax of 10% of taxable income, then receive a 90% refund. (Over 100,000 businesses are expected to be affected)⁶
- Sales for which the increased tax rate (25%) applies is increased to MNT 6 billion.⁷
- The revised tax law allows carrying forward of losses for 4 years for all business categories.⁸
- The depreciation period for buildings owned by a business is shortened to 25 years.⁹
- The revised law abolishes the periodic tax audits and performs tax audits only on businesses classified as high-risk or if a business wishes to be audited.¹⁰

Tax Law. With regard to international taxation, there were many international transactions that could not be taxed under the old tax law, and it was difficult to tax transactions between related parties and domestic source income, so it was necessary to propose this tax law revision.

⁵ Businesses with annual sales of less than MNT 50 million (that are not taxpayers of value-added tax) are obligated to file a tax return four times a year (every quarter) and pay a corporate tax of 10% of taxable income according to the existing law.

⁶ Businesses with annual sales of MNT 50 million or greater and less than MNT 300 million and businesses with annual sales of MNT 300 million to less than MNT 1.5 billion are obligated to file a tax return four times a year (every quarter) and the corporate tax rate was 10%.

⁷ Sales for which the increased tax rate (25%) applies was MNT 3 billion.

⁸ The existing law allows carrying forward of losses for 4 to 8 years for mining and infrastructure industries (with the length determined by the investment period) and for 2 years for other industries.

⁹ The depreciation period for buildings owned by a business is shortened from 40 years to 25 years

¹⁰ The existing law performs tax audits on all businesses, once every 3 to 4 years.

ANNEX 1. PDM

Project Design Matrix

Project Title: The Project for enhancing tax collection operation and international tax issues of Mongolian Tax Administration (Phase-2).

Version 1

Implementing Agency:

Dated August 31, 2017

Target Group: The General Department of Taxation (GDT)

Period of Project: 2017-2019 (36 months)

Project Site:

Model Site:

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumption	Achievement	Remarks
Overall Goal Mongolian Tax Administration in the field of international taxation and tax collection is further improved.	1. Detection rate of misfiling and non-filing on cross border transaction is increased compared with that of the project completion. 2. For future amendment of relevant laws related to the indicator 2-2 of Output 2, GDT submits revised proposal to the Ministry of Finance based on their instruction. 3. Tax Debt Center is not decreased or is increased compared with that of the project completion.	1. Audit cases, detected cases 2. Proposal submitted by GDT to the Ministry of Finance. 3. Centralized tax database at GDT.			
	4. (* The number of cases dealt as the self-enforcing is increased)	4. Centralized tax database at GDT.			
Project Purpose	[In the field of International Taxation]				
Mongolian Tax Administration in the field of international taxation and tax collection is reinforced.	1. The number of advanced cases on audit of cross border transaction submitted by trainees during the peer-review is increased compared with that of the beginning of the Project. 2. Knowledge is shared through case studies utilizing information of cross border transaction collected and accumulated during the project period. 3. A proposal on amendment of laws related to the international taxation is submitted by GDT, and received by Ministry of Finance. [Tax Collection] 4. The number of cases dealt by the Tax Debt Call Center is increased compared with that of the commencement of the Center. 5. Manual submitted by the Project is utilized at another district tax office in Ulaanbaatar on a trial basis. 6. (*Revenue is recognized as a result of execution of self-enforcing)	1. Results of check-list evaluation acquired through activity 1-7. 2. Project Progress Report (PPR) 3. PPR. 4. Centralized tax database at GDT. 5. PPR 6. Centralized tax database at GDT.			
Outputs					
1. Middle and advanced level knowledge and practical skills necessary for international taxation is acquired.	1.1 Xx% of the trainees complete training for xx times. 1.2 More than xx % of trainees improve their score of the Post-test compared with that of the Pre-test. 1.3 More than half of the cases submitted for peer-review reach the level of xx as a result of check-list evaluation.	1.1 PPR 1.2 Results of Pre-test and Post-test collected through activity 1-5. 1.3 Results of check-list evaluation through activity 1-7.	Knowledge and information acquired during the period covered is transferred appropriately to successors when there is personnel changes among counterpart personnel.		
2. Foundation of international taxation is further developed.	2.1. International Taxation Division of Strategy and Development Department and Risk Management Department of GDT collect and accumulate information related to the audit on cross border transaction. 2.2. Japanese project team finalizes a proposal on future taxation reform including establishment of source rules on domestic source income, expansion of systems related to international tax avoidance, and development of system for the elimination of international double taxation. 2.3. (* Regulations related to international taxation based on the amended law are issued by GDT)	2.1. PPR 2.2. Proposal developed by the Project 2.3. Related regulations issued.			
3. Foundation tax collection is strengthened.	3.1. Function and targeted party of the Tax Debt Call Center is reexamined. 3.2. Manual for Improvement of tax collection and its related work is submitted by the Project, and is received by GDT. 3.3. (* GDT issues regulations related self-enforcing, and completes development of necessary materials including manuals)	3.1. PPR 3.2. PPR 3.3. Related regulations issued, manuals, etc.			

Activities	Inputs		Important Assumption
[Output1: Middle and advanced level knowledge and practical skills necessary for international taxation is acquired.]	The Japanese Side	The Mongolian Side	Legal environment for the International taxation is developed.
1-1 Conduct a baseline survey on existing curriculum, teaching materials, and target officers in the relevant field.	1. Experts: (1) Chief advisor (1) (2) International Taxation (2) (3) Tax Collection (2) (4) Project Coordinator (1) (5) Other short-term expert if necessary	1. Counterpart GDT officer (7)	Budget and personnel for the Tax Debt Call Center is continuously secured to maintain its function. (*After amendment laws are passed at the Parliament)
1-2 Develop human resource development plan for the period covered of the Project.	2. Training in Japan	2. Office & facility	Implementation structure for self-enforcing is established.
1-3 Based on the plan developed as a result of 1-2 activity, elaborate contents of teaching materials, and curriculums if necessary.	Training in Japan for international taxation and tax collection will be implemented once a year to enhance knowledge and understanding on the designated issues among tax officers.	(1) Project Office (in the same building of GDT HQs)	
1-4 Conduct trainings. (Before the training is held, it is necessary to obtain baseline data of prospective trainees in terms of knowledge and experience on international taxation)	1. Provision of Equipment is provided	(2) Facility	
1-5 As a part of training follow-up, conduct a review on utilization of knowledge and skills acquired during the training at work.	PC (60 PCs max)	1) Internet	
1-6 Examine actual cases (peer-review) that trainees encountered during the work) within a year after the training session was held.		2) Office facility (desk, shelf, etc) 3) other necessary materials 4) Office should be air-conditioned. 5) other facilities, ie Training facility	
1-7 Reflect the review results into the human resource development plan, and modify the plan if necessary.		3. Local Cost 1) Expenses related to trainings (i.e. allowance and travelling expenses for local tax officers)	
[Output2: Foundation of international taxation is further developed.]			Pre-Conditions
2-1 Conduct periodical research and analysis of current situation and issues of international tax audit carried out by GDT and its management mechanism, and make recommendation (Report should be developed).			There is no drastic change in taxation policy. Counterpart personnel for the Project is appointed.
2-2 Conduct research and analysis of current situation and issues of tax jurisdiction, international tax avoidance, international dual taxation (including transfer pricing), PE (Permanent Establishment), and make recommendations (a proposal) for future institutional development.			
2-3 Hold a workshop and share results of the analysis conducted in 2-1 and 2-2 activities mentioned in above, and share it with counterparts.			

<p>2-4 Introduce referential cases of Japan and related information with regard to institutional development for international taxation (translate relevant documents into English and Mongolian, if required).</p> <p>2-5 Provide technical support to GDT in improving institutional arrangement through developing manuals and referential materials.</p>			
<p>2-6 Provide GDT technical advice regarding agenda for meeting with the Ministry of Finance including related legislation.</p> <p>2-7 Extract issues of laws, and share them with counterparts.</p> <p>2-8 Have a meeting with counterparts regarding future institutional development, and provide technical advice.</p>			
<p>(Planned support after the amendment of relevant laws are passed by the Parliament)</p>			
<p>2-9 Provide technical support to GDT in executing the revised Law on General Taxation (including development of necessary regulations).</p>			
<p>[Output3: Foundation tax collection is strengthened.]</p>			<p><Issues and countermeasures></p>
<p>3.1 Conduct a survey on the current status of organizational and institutional arrangement with regard to cases on small amount of delinquent taxes and cases of large and difficult delinquent taxes (including a survey on the current status of the Tax Debt Call Center).</p>			<p>Major tax law reforms are ongoing now in Mongolia. Relating with this the self-enforcement right, tax priority right and other issues which is necessary for tax collection are expected to introduce to the tax law. Once the articles are introduced, the flow of tax collection will be changed and this needs to be matched with the internal work flow such as organization systems, working method and job description. Carrying on enhancement on efficiency of internal administrative works, not intending the tax law reform may cause considerable amounts of extra work and confusion for officials.</p>
<p>3.2 Extract issues to be improved based on the survey results (3-1), and make recommendation for realizing efficient implementation of tax collection (a report should be developed)</p>			<p>(countermeasures) We were planning to improve internal work efficiency with the introduction of PC to tax offices. After the approval of the draft bill, the workflow will be revised and manual will be prepared based on the amended tax laws.</p>
<p>3.3 Develop an implementation plan for effective measurement on the Tax Debt Center's operation.</p>			
<p>3.4 Conduct effective measurement of the Center, and extract points to be improved.</p>			
<p>3.5 Make report to share the results of effective measurement on the operation of the Center with counterparts, and provide necessary support including making recommendation.</p>			
<p>3.6 Provide technical support to GDT in improving operation and management of the Center. (Enhancing efficiency of internal administrative work)</p>			
<p>3.7 Conduct a survey at tax offices on the current status of internal administrative work and procedure, and extract issues to be improved before making recommendation for further improvement of efficiency (Recommendation should be summarized in a report).</p>			
<p>3.8 Purchase and provide PCs to designated tax offices</p>			
<p>3.9 Provide technical support to GDT in enhancing efficiency of internal administrative work and procedure including development of manual for tax collection and its related work.</p>			
<p>3.10 Introduce the developed manual at a district tax office in Ulaanbaatar on a trial basis.</p>			
<p>3.11 Review its utilization. (including effective measurement of internal administrative work after PC installation)</p>			
<p>3.12 Develop improvement plan (proposal) based on review results. (Planned support after the amendment of relevant laws are passed by the Parliament)</p>			
<p>3.13 Provide technical support to GDT in execution of the amended laws including support for developing regulations, and promoting public awareness, etc</p>			
<p>3.14 Provide technical support to GDT in enhancing efficiency of tax collection through development of necessary documents and materials on self-enforcing.</p>			
<p>3.15 Have a meeting with counterparts regarding future institutional development, and provide technical advice.</p>			

Project Design Matrix

Project Title: The Project for enhancing tax collection operation and international tax issues of Mongolian Tax Administration (Phase-2).

Version 2

Implementing Agency:

Dated August 31, 2018

Target Group: The General Department of Taxation (GDT)

Period of Project: 2017-2019 (36 months)

Project Site:

Model Site:

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumption	Achievement	Remarks
Overall Goal Mongolian Tax Administration in the field of international taxation and tax collection is further improved.	1. Detection rate of misfiling and non-filing on cross border transaction is increased compared with that of the project completion. 2. For future amendment of relevant laws related to the indicator 2-2 of Output 2, GDT submits revised proposal to the Ministry of Finance based on their instruction. 3. Tax Debt Center is not decreased or is increased compared with that of the project completion.	1. Audit cases, detected cases 2. Proposal submitted by GDT to the Ministry of Finance. 3. Centralized tax database at GDT.			
	4. (* The number of cases dealt as the self-enforcing is increased)	4. Centralized tax database at GDT.			
Project Purpose Mongolian Tax Administration in the field of international taxation and tax collection is reinforced.	[In the field of International Taxation] 1. The number of advanced cases on audit of cross border transaction submitted by trainees during the peer-review is increased compared with that of the beginning of the Project. 2. Knowledge is shared through case studies utilizing information of cross border transaction collected and accumulated during the project period. 3. A proposal on amendment of laws related to the international taxation is submitted by GDT, and received by Ministry of Finance. [Tax Collection] 4. The number of cases dealt by the Tax Debt Call Center is increased compared with that of the commencement of the Center. 5. Manual submitted by the Project is utilized at another district tax office in Ulaanbaatar on a trial basis. 6. (*Revenue is recognized as a result of execution of self-enforcing)	1. Results of check-list evaluation acquired through activity 1-7. 2. Project Progress Report (PPR) 3. PPR. 4. Centralized tax database at GDT. 5. PPR 6. Centralized tax database at GDT.			
Outputs 1. Middle and advanced level knowledge and practical skills necessary for international taxation is acquired.	1.1 80% of the trainees complete training for 5 times. 1.2 More than 100% of trainees improve their score of the Post-test compared with that of the Pre-test. 1.3 More than half of the cases submitted for peer-review reach the level of xx as a result of check-list evaluation.	1.1 PPR 1.2 Results of Pre-test and Post-test collected through activity 1-5. 1.3 Results of check-list evaluation through activity 1-7.	Knowledge and information acquired during the period covered is transferred appropriately to successors when there is personnel changes among counterpart personnel.		
2. Foundation of international taxation is further developed.	2.1. International Taxation Division of Strategy and Development Department and Risk Management Department of GDT collect and accumulate information related to the audit on cross border transaction. 2.2. Japanese project team finalizes a proposal on future taxation reform including establishment of source rules on domestic source income, expansion of systems related to international tax avoidance, and development of system for the elimination of international double taxation. 2.3. (* Regulations related to international taxation based on the amended law are issued by GDT)	2.1. PPR 2.2. Proposal developed by the Project 2.3. Related regulations issued.			
3. Foundation tax collection is strengthened.	3.1. Function and targeted party of the Tax Debt Call Center is reexamined. 3.2. Manual for Improvement of tax collection and its related work is submitted by the Project, and is received by GDT. 3.3. (* GDT issues regulations related self-enforcing, and completes development of necessary materials including manuals)	3.1. PPR 3.2. PPR 3.3. Related regulations issued, manuals, etc.			

Activities	Inputs		Important Assumption
	The Japanese Side	The Mongolian Side	
[Output1: Middle and advanced level knowledge and practical skills necessary for international taxation is acquired.]			Legal environment for the International taxation is developed.
1-1 Conduct a baseline survey on existing curriculum, teaching materials, and target officers in the relevant field.	1. Experts: (1) Chief advisor (1) (2) International Taxation (2) (3) Tax Collection (2) (4) Project Coordinator (1) (5) Other short-term expert if necessary	1. Counterpart GDT officer (7)	Budget and personnel for the Tax Debt Call Center is continuously secured to maintain its function. (*After amendment laws are passed at the Parliament)
1-2 Develop human resource development plan for the period covered of the Project.	2. Training in Japan	2. Office & facility (1) Project Office (in the same building of GDT HQs)	Implementation structure for self-enforcing is established.
1-3 Based on the plan developed as a result of 1-2 activity, elaborate contents of teaching materials, and curriculums if necessary.	Training in Japan for international taxation and tax collection will be implemented once a year to enhance knowledge and understanding on the designated issues among tax officers.	(2) Facility	
1-4 Conduct trainings. (Before the training is held, it is necessary to obtain baseline data of prospective trainees in terms of knowledge and experience on international taxation)	1. Provision of Equipment is provided	(2) Facility 1) Internet	
1-5 As a part of training follow-up, conduct a review on utilization of knowledge and skills acquired during the training at work.	PC (60 PCs max)	2) Office facility (desk, shelf, etc) 3) other necessary materials 4) Office should be air-conditioned. 5) other facilities, ie Training facility	
1-6 Examine actual cases (peer-review) that trainees encountered during the work) within a year after the training session was held.		3. Local Cost 1) Expenses related to trainings (i.e. allowance and travelling expenses for local tax officers)	
1-7 Reflect the review results into the human resource development plan, and modify the plan if necessary.			

[Output2: Foundation of international taxation is further developed.]

- 2-1 Conduct periodical research and analysis of current situation and issues of international tax audit carried out by GDT and its management mechanism, and make recommendation (Report should be developed).
- 2-2 Conduct research and analysis of current situation and issues of tax jurisdiction, International tax avoidance, international dual taxation (including transfer pricing), PE (Permanent Establishment), and make recommendations (a proposal) for future institutional development.
- 2-3 Hold a workshop and share results of the analysis conducted in 2-1 and 2-2 activities mentioned in above, and share it with counterparts.
- 2-4 Introduce referential cases of Japan and related information with regard to institutional development for international taxation (translate relevant documents into English and Mongolian, if required).
- 2-5 Provide technical support to GDT in improving institutional arrangement through developing manuals and referential materials.
- 2-6 Provide GDT technical advice regarding agenda for meeting with the Ministry of Finance including related legislation.
- 2-7 Extract issues of laws, and share them with counterparts.
- 2-8 Have a meeting with counterparts regarding future institutional development, and provide technical advice.

(Planned support after the amendment of relevant laws are passed by the Parliament)

- 2-9 Provide technical support to GDT in executing the revised Law on General Taxation (including development of necessary regulations).

[Output3: Foundation tax collection is strengthened.]

- 3.1 Conduct a survey on the current status of organizational and institutional arrangement with regard to cases on small amount of delinquent taxes and cases of large and difficult delinquent taxes (including a survey on the current status of the Tax Debt Call Center).

- 3.2 Extract issues to be improved based on the survey results (3-1), and make recommendation for realizing efficient implementation of tax collection (a report should be developed)

- 3.3 Develop an implementation plan for effective measurement on the Tax Debt Center's operation.

- 3.4 Conduct effective measurement of the Center, and extract points to be improved.

- 3.5 Make report to share the results of effective measurement on the operation of the Center with counterparts, and provide necessary support including making recommendation.

- 3.6 Provide technical support to GDT in improving operation and management of the Center. (Enhancing efficiency of internal administrative work)

- 3.7 Conduct a survey at tax offices on the current status of internal administrative work and procedure, and extract issues to be improved before making recommendation for further improvement of efficiency (Recommendation should be summarized in a report).

- 3.8 Purchase and provide PCs to designated tax offices

- 3.9 Provide technical support to GDT in enhancing efficiency of internal administrative work and procedure including development of manual for tax collection and its related work.

- 3.10 Introduce the developed manual at a district tax office in Ulaanbaatar on a trial basis.

- 3.11 Review its utilization, (including effective measurement of internal administrative work after PC installation)

- 3.12 Develop improvement plan (proposal) based on review results. (Planned support after the amendment of relevant laws are passed by the Parliament)

- 3.13 Provide technical support to GDT in execution of the amended laws including support for developing regulations, and promoting public awareness, etc

- 3.14 Provide technical support to GDT in enhancing efficiency of tax collection through development of necessary documents and materials on self-enforcing.

- 3.15 Have a meeting with counterparts regarding future institutional development, and provide technical advice.

Pre-Conditions

There is no drastic change in taxation policy.
Counterpart personnel for the Project is appointed.

<Issues and countermeasures>

Major tax law reforms are ongoing now in Mongolia. Relating with this the self-enforcement right, tax priority right and other issues which is necessary for tax collection are expected to introduce to the tax law. Once the articles are introduced, the flow of tax collection will be changed and this needs to be matched with the internal work flow such as organization systems, working method and job description. Carrying on enhancement on efficiency of internal administrative works, not intending the tax law reform may cause considerable amounts of extra work and confusion for officials.

(countermeasures) We were planning to improve internal work efficiency with the introduction of PC to tax offices. After the approval of the draft bill, the workflow will be revised and manual will be prepared based on the amended tax laws.

Plan of Operation

Version 2

Dated Aug 21, 2018

Project Title: The Project for enhancing tax collection operation and international tax issues of Mongolia Tax Administration (Phase-2)		Dated Aug 21, 2018																																																Monitoring		
		2017												2018												2019												2020												Remarks	Issue	Solution
Inputs	Plan	Actual												Actual												Actual												Actual														
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII			
Expert																																																				
Kazuhiko Iwashita																																																				
Fukuharu Kodera																																																				
Mika Tajima																																																				
Hideraki Ishiguro																																																				
Mitsuru Kosaka																																																				
Shigeo Kumakura																																																				
Narmandakh Sandagpuren																																																				
Equipment																																																				
PC to the tax office																																																				
Training in Japan																																																				
International Taxation, Tax Collection																																																				
In-country/Third country Training																																																				
Activities		2017												2018												2019												2020												Responsible Organization	Achievements	Issue & Countermeasures
Sub-Activities		Actual												Actual												Actual												Actual														
Output 1: Tax Inspector gain middle-level and high-level knowledge and skills necessary for tax audit in the field of international taxation. (Middle-level and high-level training)																																																				
1.1 Conduct a baseline survey on existing curriculum, teaching materials, and target officers in the relevant field.																																																				
1.2 Develop human resource development plan for the period covered of the Project.																																																				
1.3 Based on the plan developed as a result of 1.2 activity, elaborate contents of teaching materials, and curriculum if necessary.																																																				
1.4 Conduct trainings. (Before the training is held, it is necessary to obtain baseline data of prospective trainees in terms of knowledge and experience on international taxation)																																																				
1.5 As a part of training follow-up, conduct a review on utilization of knowledge and skills acquired during the training at work.																																																				
1.6 Examine actual cases (post-review) that trainees encountered during the work within a year after the training session was held.																																																				
1.7 Reflect the review results into the human resource development plan, and modify the plan if necessary.																																																				
Output 2: The foundation of international taxation is developed. (Support for institutional development)																																																				
2.1 Conduct periodical research and analysis of current situation and issues of international tax audit carried out by GAICT and its management mechanism, and make recommendation (Report should be developed).																																																				
2.2 Conduct research and analysis of current situation and issues of tax jurisdiction, International tax avoidance, international dual taxation (including transfer pricing), PE (Permanent Establishment), and make recommendations (a proposal) for future institutional development.																																																				
2.3 Hold a workshop and share results of the analysis conducted in 2.1 and 2.2 activities mentioned in above, and share it with counterparts.																																																				
2.4 Introduce referential cases of Japan and related information with regard to institutional development for international taxation (translate relevant documents into English and Mongolian, if required).																																																				
2.5 Provide technical support to GDT in improving institutional arrangement through developing manuals and referential materials.																																																				
2.6 Provide GDT technical advice regarding agenda for meeting with the Ministry of Finance including related legislation.																																																				
2.7 Extract issues of laws, and share them with counterparts.																																																				
2.8 Have a meeting with counterparts regarding future institutional development, and provide technical advice.																																																				
Output 3: Foundation tax collection is strengthened. (Support for implementation of amended laws)																																																				
3.1 Conduct a survey on the current status of organizational and institutional arrangement with regard to cases on small amount of delinquent taxes and cases of large and difficult delinquent taxes (including a survey on the current status of the Tax Debt Call Center).																																																				
3.2 Extract issues to be improved based on the survey results (3.1), and make recommendations for realizing efficient implementation of tax collection (a report should be developed).																																																				
3.3 Develop an implementation plan for effective measurement on the Tax Debt Center's operation.																																																				
3.4 Conduct effective measurement of the Center, and extract points to be improved.																																																				
3.5 Make report to share the results of effective measurement on the operation of the Center with counterparts, and provide necessary support including making recommendations.																																																				
3.6 Provide technical support to GDT in improving operation and management of the Center.																																																				
Enhancing efficiency of internal administrative work																																																				
3.7 Conduct a survey at tax offices on the current status of internal administrative work and procedure, and extract issues to be improved before making recommendation for further improvement of efficiency (Recommendation should be summarized in a report).																																																				
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3.10 Introduce the developed manual at a district tax office in Ulaanbaatar on a trial basis.																																																				
3.11 Review its utilization (including effective measurement of internal administrative work after PC installation).																																																				
3.12 Develop improvement plan (proposal) based on review results and share it at a meeting (i.e. JCC).																																																				
Support for implementation of amended Law on General Taxation																																																				
1.13 Provide technical support to GDT in realizing the amended laws including support for developing regulations, and promoting public awareness, etc.																																																				
1.14 Provide technical support to GDT in enhancing efficiency of tax collection through development of necessary documents and materials on self-enforcing.																																																				
1.15 Have a meeting with counterparts regarding future institutional development, and provide technical advice.																																																				
Duration / Phasing																																																				
Monitoring Plan																																																				
Monitoring																																																				
Joint Coordinating Committee																																																				
Set-up the Detailed Plan of Operation																																																				
Submission of Monitoring Sheet																																																				
Monitoring Mission from Japan																																																				
Joint Monitoring																																																				
Post Monitoring																																																				
Resource Discussions																																																				
Project Completion Report																																																				
Public Relations																																																				

Project Design Matrix

Project Title: The Project for enhancing tax collection operation and international tax issues of Mongolian Tax Administration (Phase-2).

Version 3

Implementing Agency:

Dated August 31, 2019

Target Group: The General Department of Taxation (GDT)

Period of Project: 2017-2019 (36 months)

Project Site:

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumption	Achievement	Remarks
Overall Goal					
Mongolian Tax Administration in the field of international taxation and tax collection is further improved.	1. Detection rate of misfiling and non-filing on cross border transaction is increased compared with that of the project completion. 2. For future amendment of relevant laws related to the indicator 2-2 of Output 2, GDT submits revised proposal to the Ministry of Finance based on their instruction. 3. Tax Debt Center is not decreased or is increased compared with that of the project completion. 4. (* The number of cases dealt as the self-enforcing is increased)	1. Audit cases, detected cases 2. Proposal submitted by GDT to the Ministry of Finance. 3. Centralized tax database at GDT. 4. Centralized tax database at GDT.			
Project Purpose	[in the field of International Taxation]				
Mongolian Tax Administration in the field of international taxation and tax collection is reinforced.	1. The number of advanced cases on audit of cross border transaction submitted by trainees during the peer-review is increased compared with that of the beginning of the Project. 2. Knowledge is shared through case studies utilizing information of cross border transaction collected and accumulated during the project period. 3. A proposal on amendment of laws related to the international taxation is submitted by GDT, and received by Ministry of Finance. [Tax Collection] 4. The number of cases dealt by the Tax Debt Call Center is increased compared with that of the commencement of the Center. 5. Manual submitted by the Project is utilized at another district tax office in Ulaanbaatar on a trial basis. 6. (*Revenue is recognized as a result of execution of self-enforcing)	1. Results of check-list evaluation acquired through activity 1-7. 2. Project Progress Report (PPR) 3. PPR. 4. Centralized tax database at GDT. 5. PPR 6. Centralized tax database at GDT.			
Outputs					
1. Middle and advanced level knowledge and practical skills necessary for international taxation is acquired.	1.1 80% of the trainees complete training for 5 times. 1.2 More than 100% of trainees improve their score of the Post-test compared with that of the Pre-test. 1.3 More than half of the cases submitted for peer-review reach the level of Advanced and complicated international taxation cases as a result of check-list evaluation. * Note: "With an overall rating 3.5 of peer review evaluation criteria considered as a level that has reached the advanced and complicated international taxation cases"	1.1 PPR 1.2 Results of Pre-test and Post-test collected through activity 1-5. 1.3 Results of check-list evaluation through activity 1-7.	Knowledge and information acquired during the period covered is transferred appropriately to successors when there is personnel changes among counterpart personnel.		
2. Foundation of international taxation is further developed.	2.1. International Taxation Division of Strategy and Development Department and Risk Management Department of GDT collect and accumulate information related to the audit on cross border transaction. 2.2. Japanese project team finalizes a proposal on future taxation reform including establishment of source rules on domestic source income, expansion of systems related to international tax avoidance, and development of system for the elimination of international double taxation. 2.3. (* Regulations related to international taxation based on the amended law are issued by GDT)	2.1. PPR 2.2. Proposal developed by the Project 2.3. Related regulations issued.			
3. Foundation tax collection is strengthened.	3.1. Function and targeted party of the Tax Debt Call Center is reexamined. 3.2. Manual for Improvement of tax collection and its related work is submitted by the Project, and is received by GDT. 3.3. (* GDT issues regulations related self-enforcing, and completes development of necessary materials including manuals)	3.1. PPR 3.2. PPR 3.3. Related regulations issued, manuals, etc.			

Activities	Inputs		Important Assumption
	The Japanese Side	The Mongolian Side	
[Output 1: Middle and advanced level knowledge and practical skills necessary for international taxation is acquired.]			Legal environment for the international taxation is developed.
1-1 Conduct a baseline survey on existing curriculum, teaching materials, and target officers in the relevant field.	1. Experts: (1) Chief advisor (1) (2) International Taxation (2) (3) Tax Collection (2) (4) Project Coordinator (1) (5) Other short-term expert if necessary	1. Counterpart GDT officer (7)	Budget and personnel for the Tax Debt Call Center is continuously secured to maintain its function. (*After amendment laws are passed at the Parliament)
1-2 Develop human resource development plan for the period covered of the Project.	2. Training in Japan	2. Office & facility	Implementation structure for self-enforcing is established.
1-3 Based on the plan developed as a result of 1-2 activity, elaborate contents of teaching materials, and curriculums if necessary.	Training in Japan for international taxation and tax collection will be implemented once a year to enhance knowledge and understanding on the designated issues among tax officers.	(1) Project Office (in the same building of GDT HQs)	
1-4 Conduct trainings. (Before the training is held, it is necessary to obtain baseline data of prospective trainees in terms of knowledge and experience on international taxation)	1. Provision of Equipment is provided	(2) Facility	
1-5 As a part of training follow-up, conduct a review on utilization of knowledge and skills acquired during the training at work.	PC (60 PCs max)	1) Internet	
1-6 Examine actual cases (peer-review) that trainees encountered during the work) within a year after the training session was held.		2) Office facility (desk, shelf, etc) 3) other necessary materials 4) Office should be air-conditioned. 5) other facilities, ie Training facility	
1-7 Reflect the review results into the human resource development plan, and modify the plan if necessary.		3. Local Cost 1) Expenses related to trainings (i.e. allowance and travelling expenses for local tax officers)	

<p>[Output2: Foundation of international taxation is further developed.]</p> <p>2-1 Conduct periodical research and analysis of current situation and issues of international tax audit carried out by GDT and its management mechanism, and make recommendation (Report should be developed).</p> <p>2-2 Conduct research and analysis of current situation and issues of tax jurisdiction, International tax avoidance, international dual taxation (including transfer pricing), PE (Permanent Establishment), and make recommendations (a proposal) for future institutional development.</p> <p>2-3 Hold a workshop and share results of the analysis conducted in 2-1 and 2-2 activities mentioned in above, and share it with counterparts.</p> <p>2-4 Introduce referential cases of Japan and related information with regard to institutional development for international taxation (translate relevant documents into English and Mongolian, if required).</p> <p>2-5 Provide technical support to GDT in improving institutional arrangement through developing manuals and referential materials.</p> <p>2-6 Provide GDT technical advice regarding agenda for meeting with the Ministry of Finance including related legislation.</p> <p>2-7 Extract issues of laws, and share them with counterparts.</p> <p>2-8 Have a meeting with counterparts regarding future institutional development, and provide technical advice.</p> <p>(Planned support after the amendment of relevant laws are passed by the Parliament)</p> <p>2-9 Provide technical support to GDT in executing the revised Law on General Taxation (including development of necessary regulations).</p>			<p>Pre-Conditions</p> <p>There is no drastic change in taxation policy. Counterpart personnel for the Project is appointed.</p>
<p>[Output3: Foundation tax collection is strengthened.]</p> <p>3.1 Conduct a survey on the current status of organizational and institutional arrangement with regard to cases on small amount of delinquent taxes and cases of large and difficult delinquent taxes (including a survey on the current status of the Tax Debt Call Center).</p> <p>3.2 Extract issues to be improved based on the survey results (3-1), and make recommendation for realizing efficient implementation of tax collection (a report should be developed)</p> <p>3.3 Develop an implementation plan for effective measurement on the Tax Debt Center's operation.</p> <p>3.4 Conduct effective measurement of the Center, and extract points to be improved.</p> <p>3.5 Make report to share the results of effective measurement on the operation of the Center with counterparts, and provide necessary support including making recommendation.</p> <p>3.6 Provide technical support to GDT in improving operation and management of the Center. (Enhancing efficiency of internal administrative work)</p> <p>3.7 Conduct a survey at tax offices on the current status of internal administrative work and procedure, and extract issues to be improved before making recommendation for further improvement of efficiency (Recommendation should be summarized in a report).</p> <p>3.8 Purchase and provide PCs to designated tax offices</p> <p>3.9 Provide technical support to GDT in enhancing efficiency of internal administrative work and procedure including development of manual for tax collection and its related work.</p> <p>3.10 Introduce the developed manual at a district tax office in Ulaanbaatar on a trial basis.</p> <p>3.11 Review its utilization, (including effective measurement of internal administrative work after PC installation)</p> <p>3.12 Develop improvement plan (proposal) based on review results. (Planned support after the amendment of relevant laws are passed by the Parliament)</p> <p>3.13 Provide technical support to GDT in execution of the amended laws including support for developing regulations, and promoting public awareness, etc</p> <p>3.14 Provide technical support to GDT in enhancing efficiency of tax collection through development of necessary documents and materials on self-enforcing.</p> <p>3.15 Have a meeting with counterparts regarding future institutional development, and provide technical advice.</p>			<p><Issues and countermeasures></p> <p>The amendment law was approved in March and the law will be enforced in January 2020. However, the preparation period for notifications, staff training, taxpayers, etc. is extremely short.</p> <p>(countermeasures) JICA project experts also carry out manuals and notification work in Japan. In addition, outside the project activities, project experts have invited collection experts in each tax collection field in Japan and provided support such as giving advice to GDT executives. The project will be completed shortly after the revised law comes into effect, so it is important that JICA continues to follow up on GDT.</p>

ANNEX 2.

Work flowchart

ANNEX 3.

Work plan

Work plan


Activities	Year and month	JFY2017												
		2	3	4	5	6	7	8	9	10	11	12	1	2
1. Items Common to International Taxation and Collections														
1-1 Collection and Sorting of Related Materials and Information		<input type="checkbox"/>												
1-2 Creation of Operation plan Ver.1 - Ver.3		<input type="checkbox"/>												
1-3 Creation of Work Plan Ver.1 Draft				<input type="checkbox"/>										
1-4 Explanation of Work Plan Ver.1 Draft		■												
1-5 Establishment of Implementation System		■												
1-6 Baseline Survey of Mongolian International Taxation and Collections		■	■											
1-7 Discussions and Agreement of Work plan Ver.1 Draft				■										
1-8 Creation and Submission of Monitoring Sheet Ver.1 and Ver.2								<input type="checkbox"/>					<input type="checkbox"/>	
1-9 Final Assessment Survey Preparation and Support for Implementation														
1-10 Creation and Submission of Work Completion Report														
2. International Taxation														
2-1 Creation of a Human Resources Development Plan				■	■		■							
2-2 Creation of Teaching Materials / Curriculum for Training Project							■	■	■	■	■	■	■	■
2-3 Creation and Implementation of Advanced Local Training for International Taxation								■			■			■
2-4 Preparation and Implementation of Japan-based International Taxation Training (Twice)														
2-5 Monitoring Trainees' Work														
2-6 Preparation of Peer Review														
2-7 Peer Review Implementation														
2-8 Revising the Human Resources Training Plan														
2-9 Investigations and Analysis of Implementation Systems Related to International Taxation				■	■	■								
2-10 Extraction of Issues Related to International Taxation Systems				■	■	■								
2-11 Holding International Taxation Workshops							■		■					
2-12 Support for Preparing International Taxation Systems				■	■	■	■	■	■	■	■	■	■	■
2-13 Advice for International Taxation Laws				■	■	■	■	■	■	■	■	■	■	■
2-14 Regular Meetings with Counterparts					■	■	■	■	■	■	■	■	■	■
3. Collections														
3-1 Preparation and Implementation of Japan-based Training of Collections		<input type="checkbox"/>												
3-2 Investigations Related to Delinquency Processing and Payment Demands				■	■						■			
3-3 Preparation and Implementation for Measuring Effectiveness of Call Center Operation								■						
3-4 Advice for Improvement for Call Center Operation								■						■
3-5 Support for Call Center Improvements								■	■	■	■	■	■	■
3-6 Investigation Analysis for Internal Administrative Work in Tax Offices				■	■	■								
3-7 PC Supply for Increasing Internal Administrative Work Efficiency								■	■					
3-8 Creation of Collections Manual														
3-9 Trial of the Collections Manual														
3-10 Review of Trial Results														
3-11 Creation of Proposals for Improving Internal Administrative Work Efficiency														
3-12 Support for Increased Internal Administrative Work Efficiency														
3-13 Support for Enactment of the Revised Law														
3-13-1 Development and Review of Notifications				■	■	■	■	■	■	■	■	■	■	■
3-13-2 Preparation of a Delinquency Manual														
3-13-3 Coordination with Court of Execution,etc.														
3-13-4 Indirect Support for Publicity Activities														
3-13-5 Indirect Support for Collections Staff Training														
3-14 Advice for Future Law Revisions				■	■	■	■	■	■	■	■	■	■	■


■ Work in Mongolia

□ Work in Japan

Work plan

Activities	Year and month		JFY2018												
	4	5	6	7	8	9	10	11	12	1	2	3			
1. Items Common to International Taxation and Collections															
1-1 Collection and Sorting of Related Materials and Information															
1-2 Creation of Operation plan Ver.1 - Ver.3															
1-3 Creation of Work Plan Ver.1 Draft															
1-4 Explanation of Work Plan Ver.1 Draft															
1-5 Establishment of Implementation System															
1-6 Baseline Survey of Mongolian International Taxation and Collections															
1-7 Discussions and Agreement of Work plan Ver.1 Draft															
1-8 Creation and Submission of Monitoring Sheet Ver.1 and Ver.2															
1-9 Final Assessment Survey Preparation and Support for Implementation															
1-10 Creation and Submission of Work Completion Report															
2. International Taxation															
2-1 Creation of a Human Resources Development Plan															
2-2 Creation of Teaching Materials / Curriculum for Training Project															
2-3 Creation and Implementation of Advanced Local Training for International Taxation															
2-4 Preparation and Implementation of Japan-based International Taxation Training (Twice)															
2-5 Monitoring Trainees' Work															
2-6 Preparation of Peer Review															
2-7 Peer Review Implementation															
2-8 Revising the Human Resources Training Plan															
2-9 Investigations and Analysis of Implementation Systems Related to International Taxation															
2-10 Extraction of Issues Related to International Taxation Systems															
2-11 Holding International Taxation Workshops															
2-12 Support for Preparing International Taxation Systems															
2-13 Advice for International Taxation Laws															
2-14 Regular Meetings with Counterparts															
3. Collections															
3-1 Preparation and Implementation of Japan-based Training of Collections															
3-2 Investigations Related to Delinquency Processing and Payment Demands															
3-3 Preparation and Implementation for Measuring Effectiveness of Call Center Operation															
3-4 Advice for Improvement for Call Center Operation															
3-5 Support for Call Center Improvements															
3-6 Investigation Analysis for Internal Administrative Work in Tax Offices															
3-7 PC Supply for Increasing Internal Administrative Work Efficiency															
3-8 Creation of Collections Manual															
3-9 Trial of the Collections Manual															
3-10 Review of Trial Results															
3-11 Creation of Proposals for Improving Internal Administrative Work Efficiency															
3-12 Support for Increased Internal Administrative Work Efficiency															
3-13 Support for Enactment of the Revised Law															
3-13-1 Development and Review of Notifications															
3-13-2 Preparation of a Delinquency Manual															
3-13-3 Coordination with Court of Execution, etc.															
3-13-4 Indirect Support for Publicity Activities															
3-13-5 Indirect Support for Collections Staff Training															
3-14 Advice for Future Law Revisions															

 Work in Mongolia

 Work in Japan

Work plan

Activities	Year and month		JFY2019												
	4	5	6	7	8	9	10	11	12	1	2	3			
1. Items Common to International Taxation and Collections															
1-1 Collection and Sorting of Related Materials and Information															
1-2 Creation of Operation plan Ver.1 - Ver.3	<input type="checkbox"/>														
1-3 Creation of Work Plan Ver.1 Draft		<input type="checkbox"/>													
1-4 Explanation of Work Plan Ver.1 Draft															
1-5 Establishment of Implementation System															
1-6 Baseline Survey of Mongolian International Taxation and Collections															
1-7 Discussions and Agreement of Work plan Ver.1 Draft			■												
1-8 Creation and Submission of Monitoring Sheet Ver.1 and Ver.2							<input type="checkbox"/>						<input type="checkbox"/>		
1-9 Final Assessment Survey Preparation and Support for Implementation							■	■							
1-10 Creation and Submission of Work Completion Report													<input type="checkbox"/>		
2. International Taxation															
2-1 Creation of a Human Resources Development Plan															
2-2 Creation of Teaching Materials / Curriculum for Training Project				■											
2-3 Creation and Implementation of Advanced Local Training for International Taxation					■										
2-4 Preparation and Implementation of Japan-based International Taxation Training (Twice)							■								
2-5 Monitoring Trainees' Work							■								
2-6 Preparation of Peer Review										<input type="checkbox"/>					
2-7 Peer Review Implementation										■					
2-8 Revising the Human Resources Training Plan															
2-9 Investigations and Analysis of Implementation Systems Related to International Taxation															
2-10 Extraction of Issues Related to International Taxation Systems															
2-11 Holding International Taxation Workshops															
2-12 Support for Preparing International Taxation Systems	■	<input type="checkbox"/>	■				■		■				■		
2-13 Advice for International Taxation Laws	■	<input type="checkbox"/>	■				■		■				■		
2-14 Regular Meetings with Counterparts	■	<input type="checkbox"/>	■				■		■				■		
3. Collections															
3-1 Preparation and Implementation of Japan-based Training of Collections															
3-2 Investigations Related to Delinquency Processing and Payment Demands															
3-3 Preparation and Implementation for Measuring Effectiveness of Call Center Operation										■					
3-4 Advice for Improvement for Call Center Operation										<input type="checkbox"/>					
3-5 Support for Call Center Improvements	■	<input type="checkbox"/>	■	<input type="checkbox"/>	<input type="checkbox"/>	■		■		■					
3-6 Investigation Analysis for Internal Administrative Work in Tax Offices															
3-7 PC Supply for Increasing Internal Administrative Work Efficiency															
3-8 Creation of Collections Manual	■	■	■	<input type="checkbox"/>	<input type="checkbox"/>	■	<input type="checkbox"/>	■	<input type="checkbox"/>	■	<input type="checkbox"/>	■			
3-9 Trial of the Collections Manual															
3-10 Review of Trial Results															
3-11 Creation of Proposals for Improving Internal Administrative Work Efficiency										■	<input type="checkbox"/>				
3-12 Support for Increased Internal Administrative Work Efficiency								■		■		■			
3-13 Support for Enactment of the Revised Law	■	■	■	<input type="checkbox"/>	<input type="checkbox"/>	■	<input type="checkbox"/>	■	<input type="checkbox"/>	■	<input type="checkbox"/>	■	■		
3-13-1 Development and Review of Notifications	■	■	■	<input type="checkbox"/>	<input type="checkbox"/>	■	<input type="checkbox"/>	■	<input type="checkbox"/>	■	<input type="checkbox"/>	■	■		
3-13-2 Preparation of a Delinquency Manual	■	■	■	<input type="checkbox"/>	<input type="checkbox"/>	■	<input type="checkbox"/>	■	<input type="checkbox"/>	■	<input type="checkbox"/>	■			
3-13-3 Coordination with Court of Execution, etc.												■	■		
3-13-4 Indirect Support for Publicity Activities												■	■		
3-13-5 Indirect Support for Collections Staff Training								■	■				■		
3-14 Advice for Future Law Revisions	■	■	■	<input type="checkbox"/>	<input type="checkbox"/>	■	<input type="checkbox"/>	■	<input type="checkbox"/>	■	<input type="checkbox"/>	■	■		

■ Work in Mongolia

□ Work in Japan

ANNEX 4.

Expert work performance

Expert work performance (as of January 24, 2020)

Hөп	Responsibility	2017												2018												2019												Days	Man/mo nths
		2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1		
Work in Mongolia	Kenichiro Iwashita	3/6-10 (5d)	4/5-15 (11d)	6/3-7 (5d)			8/9-15 (7d)	9/29-10/6 (8d)					2/5-9 (5d)		4/23-28 (6d)				9/10-14 (5d)							2/25-3/1 (5d)	5/6-11 (6d)	6/24-29 (6d)							12/2-6 (5d)	1/20-23 (4d)	78	2.60	
	Toshinari Kodera		3/24-4/20 (28d)	4/27-5/14 (18d)		7/2-11 (10d)	8/11-9/1 (22d)	9/6-17 (23d)	9/28-10/20 (23d)		11/17-12/8 (22d)		1/19-2/9 (22d)		3/21-4/8 (19d)				8/22-9/15 (25d)	9/29-10/27 (29d)	11/11-12/1 (21d)					3/8-2/25 (18d)	4/23-5/13 (21d)	6/22-7/3 (12d)				9/8-17 (10d)	11/14-26 (13d)	354	11.80				
	Mikio Tajino							9/12-20 (9d)											8/25-9/2 (9d)								3/16-24 (9d)						8/25-31 (7d)			34	1.13		
	Hideaki Ishiguro			4/24-5/5 (12d)				8/20-31 (12d)	9/10-20 (11d)		11/27-12/8 (12d)				4/23-5/9 (17d)				8/20-9/2 (14d)		11/20-30 (11d)					3/4-20 (17d)	4/30-5/8 (9d)				8/21-30 (10d)		11/25-12/6 (12d)			137	4.57		
	Mitsuru Kosaka			4/5-17 (13d)	5/26-6/9 (15d)				9/27-10/11 (15d)			1/17-28 (12d)			4/15-29 (15d)	6/20-7/3 (14d)			9/10-25 (16d)	11/4-16 (13d)					3/10-16 (7d)	5/4-13 (10d)	6/23-29 (7d)			9/18-27 (10d)		11/27-12/7 (11d)	1/19-24 (6d)	164	5.47				
	Shigeo Kumakura		3/26-4/18 (24d)	5/10-6/5 (25d)	6/14-7/7 (24d)			8/23-9/15 (24d)		11/24-12/19 (26d)	1/8-19 (12d)			3/19-4/8 (21d)	5/14-6/24 (42d)				9/5-29 (25d)	10/31-11/21 (22d)	12/8-19 (12d)				4/24-5/15 (22d)	6/1-15 (15d)			9/3-14 (12d)		11/18-30 (13d)			319	10.63				
		Actual total																																				1086	36.20

Work in Japan	Kenichiro Iwashita	2/20-24,27,28 (7d)	3/21-24 (4d)				8/1-3 (3d)	9/25-27 (3d)					3/6,7 (2d)	4/5-7 (3d)	5/7 (1d)			8/12-20 (9d)	9/8,9 (2d)	11/7,8 (2d)	12/3-5 (3d)	1/24-26 (3d)	2/1-4 (4d)	3/18,19 (2d)	4/19,22 (2d)	5/16,17 (2d)	6/19-21 (3d)	8/13-16 (4d)			11/1-3 (3d)	12/1 (1d)	1/11,12 (2d)	65	3.25				
	Toshinari Kodera	2/20-23 (4d)			6/27-30 (4d)	8/1-2 (2d)	9/4-6 (3d)		11/20-24 (5d)	12/18-20 (3d)	2/10-19 (10d)	4/10,11 (2d)	6/18-20 (3d)	7/1-8 (8d)	8/17-19 (3d)	10/29-30 (2d)		11/6-8 (3d)	12/3-5 (3d)	1/15,16 (2d)	2/4-7 (4d)	4/19,22 (2d)			5/15,16 (2d)											69	3.45		
	Mikio Tajino					8/1-2 (2d)	9/4-6 (3d)								8/16-19 (4d)										3/7,8 (2d)					8/19-21 (3d)							14	0.70	
	Hideaki Ishiguro	2/20-22 (3d)				7/3-7 (4d)	8/1-3 (3d)		11/20-23 (4d)	12/18,19 (2d)	2/10-19 (10d)	4/8-11 (4d)	6/13-17 (5d)	7/9-11 (3d)	8/17-19 (3d)	11/6-8 (3d)	12/3-4 (2d)	2/5,6 (2d)	3/1,2 (2d)	4/19,22 (2d)					5/15,16 (2d)	8/15,16 (2d)							11/22 (1d)			42	2.10		
	Mitsuru Kosaka	2/20-22 (3d)					8/1-3 (3d)	10/15-19 (5d)	11/20-24 (5d)	12/18-20 (3d)	1/10-11 (2d)	2/10-19 (10d)	3/13-16 (4d)	5/14-18 (5d)	6/13-17 (5d)	8/1-3 (3d)	10/28-30 (3d)	11/1-3 (3d)	1/15,16 (2d)	2/5,8 (4d)	3/7,8 (2d)	4/19,22 (2d)			5/1,2 (2d)	7/1,2 (2d)	8/1-3 (3d)		10/1 (1d)	11/26 (1d)	1/16,17 (2d)			85	4.25				
	Shigeo Kumakura	2/20-22 (3d)		5/22-23 (2d)	6/27-30 (4d)							3/15,16 (2d)	4/10,11 (2d)	5/10,11 (2d)	7/9-11 (3d)	8/1-13 (3d)	9/1-4 (4d)	10/17-19 (3d)	11/23-25 (3d)	12/4-7 (4d)	1/21,22 (2d)	2/27,28 (2d)	4/19,22 (2d)		5/16,17 (2d)	7/1,2 (2d)	8/1,2 (2d)								49	2.45			
	Narmandakh Sandagsuren	2/20-28 (7d)	4/3-21 (11d)	5/1-15 (11d)	6/14-30 (13d)	7/3-11 (7d)	8/5-31 (18d)	10/2-31 (18d)	12/1-29 (20d)	1/1-30 (20d)	1/8-31 (18d)	2/1-28 (18d)	4/1-30 (10d)	6/1-30 (6d)	8/1-31 (8d)	10/1-31 (7d)	12/1-31 (8d)	2/1-28 (6d)	4/1-30 (4d)	6/1-30 (4d)	8/1-31 (4d)	10/1-31 (2d)	12/1-31 (1d)													330	16.50		
	Ko Kobayashi	2/20-24,27,28 (7d)											4/10-18 (4d)	5/10,11 (2d)							12/3,4 (2d)	1/15,16 (2d)	2/5-8 (3d)	3/7,8 (2d)	4/22 (1d)	5/16 (1d)										24	1.20		
		Actual total																																				678	33.90
		Actual total of working days in Mongolia and Japan																																				1764	70.10

Report	Activity Plan V1 △	WP V1 △	Monitoring V1 △	Baseline Survey △	Human Resources Development Plan △	Teaching Materials/ Curriculum △	Internal Administrative Work Report △	Delinquency and Payment Demands △	Monitoring V2 △	Activity plan V2 △	WP V2 △	Investigation Analysis Report △	Monitoring V3 △	Collections Manual △	Call Center Report △	Increasing Internal Administrative Work △	Monitoring V4 △	Activity plan V3 △	WP V3 △	Monitoring V5 △	Call center report △	Increasing Internal Administrative Work △	Monitoring V6 △	Work completion report △
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ANNEX 5.

Acceptance of Trainees in Japan

Curriculum of First training in Japan

Date	Time	Training content	Lecturer and person in charge		Language	Place of training
			Name	Affiliation and position		
2/23 (Thu)	10:00-12:00	JICA briefing	Briefing	JICA Tokyo	Jap	JICA Tokyo SR402
	12:00-12:30	Program orientation	Kenichiro Iwashita	Inst. For Financial Affairs, Inc	Jap	
	13:30-17:00	Japanese tax collection system (NTA, Japan)	Otashi	National Tax College	Jap	
2/24 (Fri)	9:30-12:30	Tax Collections Call Center, Mental health training	Etsuko Kugimiya	Jairo Consulting	Jap	JICA Tokyo SR402
	13:30-17:00					
2/27 (Mon)	9:30-12:00	Japanese public auction system	Shigeo Kumakura	JICA project expert	Jap	JICA Tokyo SR402 Call Center, NTA (Tokyo legal affairs Bureau Nakano Governm ent office)
	14:00-17:30	Visit to Tax Collections Call Center, NTA			Jap	
	14:10-14:15	Greeting from the head of Call Center	Aita, chief of center	5 th floor, Meeting room		
	14:15-15:00	Overview	Aita, chief of center Harata, manager			
	15:00-15:30	Supervisor job description Explanation of call device	Tamura, specialist of call center			
	15:40-16:10	Call Center tour	Aita, chief of center Harata, manager Tamura, specialist Kamewari chief of management	Mansion room (Kamewari, chief of management) Operator room (Harata manager)		
	16:10-16:15	Greeting from the head of Tax revenue department	Okamura, Head of Tax revenue department			
	16:15-16:35	Participant's presentation	Participants	JICA, Chief, Administrative and Finance Team section,		
	16:45-17:25	Q&A	Aita, chief of center Harata, manager Tamura, specialist Kamewari chief of management	5 th floor, Meeting room		
	17:25-17:30	Gratitude of participants				
2/28 (Tue)	9:30-10:30	Visit to Tax Space Ueno	Ueyama, officer of public relations	Ueno tax office	Jap	Ueno tax office
	12:30-14:00	Discussion for solution of issues	Mitsuru Kosaka Shigeo Kumakura	JICA project expert	Jap	JICA Tokyo SR402
	14:00-15:30	Evaluation session, closing ceremony	Ishizuka Kenji	JICA Industrial Development and Public Policy Department	Jap	

List of participants

Name	Position
Mr.BALSAN Ganbold	Head, Service Center, General Department of Taxation
Mr.SANJAA Tserenjamts	Senior Tax Inspector, Service Center/ Tax Debt Collections Call Center, General Department of Taxation
Ms.ERDENEBILEG Zoljargal	Tax Inspector, Service Center/ Tax Debt Collections Call Center, General Department of Taxation
Mr.NAMKHAINYAMBUU Boldbayar	Tax Inspector, Service Center/ Tax Debt Collections Call Center, General Department of Taxation
Ms.DORJ Davaasuren	Tax Inspector, Service Center/ Tax Debt Collections Call Center, General Department of Taxation

Ms.MAGSARJAV Tseveengerel	Tax Inspector, Service Center/ Tax Debt Collections Call Center, General Department of Taxation
Ms.BYAMBA Jargalsaikhan	Tax Inspector, Service Center/ Tax Debt Collections Call Center, General Department of Taxation
Ms.CHULUUNTOGTOKH Aligirmaa	Tax Inspector, Service Center/ Tax Debt Collections Call Center, General Department of Taxation
Ms.GANZORIG Agiimaa	Tax Inspector, Service Center, General Department of Taxation
Ms.DARKHIJAV Tungalag	Tax Inspector, Tax Revenue Division, General Department of Taxation
Ms.TSEDENPIL Altantsetseg	Senior Tax Inspector, Tax Revenue Department, General Department of Taxation
Mr.DORJPUREV Bazar	Head, Songinokhairkhan District's Tax Division
Mr.NOKHOIJAV Ganbaatar	Teacher, State Tax Inspector, Training Center, General Department of Taxation
Ms.DANDAR Enkhtuya Onkhod	Senior Tax Inspector, Tax Revenue Division, General Department of Taxation
Ms.NAMSRAIJAV Amarbayasgalan	Head of Tax Collection Unit, Chingeltei District's Tax Division, General Department of Taxation

Curriculum of Second training in Japan

Date	Time	Training content	Teacher and person in charge		Language	Place of training
			Name	Affiliation and position		
4/12 (Thu)		Arriving Japan				
4/13 (Fri)	10:00-12:00	JICA Tokyo briefing	Briefing	JICA, Tokyo	Jap	JICA, Tokyo SR403
	12:00-12:30	Program orientation	Kootaro Okuyama Rieko Yamada	Professor, National tax college Educator, National tax college	Jap	
	13:30-16:30	Review, Points of discussion during case studies	Kootaro Okuyama Rieko Yamada	Professor, National tax college Educator, National tax college	Jap	
4/14 (Sat)		Holiday				
4/15 (Sun)		Holiday				
4/16 (Mon)	9:30-12:30	Case study ① (Case of Mongolia)	Kootaro Okuyama Rieko Yamada	Professor, National tax college Educator, National tax college	Jap	JICA Tokyo SR406
	14:00-16:30	Visit to Shiba tax office	Sumio Sato International tax specialist	Head of Shiba tax office	Jap	Shiba tax office
4/17 (Tue)	9:30-12:30	Case study ② (Case of Mongolia)	Kootaro Okuyama Rieko Yamada	Professor, National tax college Educator, National tax college	Jap	JICA Tokyo SR402
	13:30-16:30	Case study ③ (Case of Mongolia)				
4/18 (Wed)	9:30-12:30	Case study ④ (Case of Mongolia)	Kootaro Okuyama Rieko Yamada	Professor, National tax college Educator, National tax college	Jap	JICA Tokyo SR402
	13:30-16:30	Case study ⑤ (Case of Mongolia)				
	17:00-18:00	Evaluation session, closing ceremony	Kenji Ishizuka	JICA Industrial Development and Public Policy Department		
4/19 (Thu)		Leaving				

List of participants

Name	Position
Ms.TSULTEM Khandaa	Head, Tax Auditing Division, State Budget Revenue Inspection Agency
Ms.BAKHNAA Badamtsetseg	Head, Training Center, General Department of Taxation
Ms.TSERENDORJ Bayarmaa	Senior Tax Inspector, Division of Internal Audit, General Department of Taxation
Ms.ALTANTSETSEG Suvdaa	State Inspector, Taxpayers Support Department, General Department of Taxation
Ms.KHUKHUU Suvd Erdene	Tax Inspector, Public Administration and Management Department, General Department of Taxation
Ms.SEMBEE Gunjinkham	State Tax Inspector, Tax Service Center, General Department of Taxation
Ms.BAATAR Batchimeg	State Tax Inspector, Tax Service Center, General Department of Taxation
Ms.NAMSUM Tuul	State Tax Inspector, Training Center, General Department of Taxation
Ms.SHUNAIBAATAR Enkhjargal	Tax Inspector, Tax Audit Division, General Department of Taxation
Mr.PUREVGYAL Otgonsuren	State Tax Inspector, Tax Audit Division, State Revenue and Budget Department
Ms.OTGONSHAR Tsend Ayush	Tax Inspector, Tax Audit Division, Capital City Tax Department
Ms.JUGDER Erdeneburen	Tax Inspector, Tax Administration Division, Capital City Tax Department
Mr.SANJID Duubayar	Chief, Department of Risk and Statistics, Tax Division of Umnugobi Province
Ms.TSEVEGJAV Unurmunkh	Tax Inspector, Taxpayer Communication Section, Tax Division of Orkhon Province
Mr.SUMIYA Naranbaatar	Tax Inspector, Tax Division of Dornod Province

Curriculum of Third training in Japan

Date	Time	Training content	Teacher and person in charge		Language	Place of training
			Name	Affiliation and position		
1/28 (Mon)		Arriving Japan				
1/29 (Tue)	10:00-11:50	JICA briefing	Person in charge	JICA Tokyo	Jap	JICA Tokyo SR304
	12:00-13:00	Program orientation	Nobuko Kojima Kootaro Okuyama Rieko Yamada Naomi Oriksa Akihiro Iwasaki Asuka Inagaki	NTA, Head of International Support office NTA, Professor NTA, Educator NTA, Specialist NTA, chief NTA, senior	Jap	
	14:00-17:00	Trainees explanation for the current state of Mongolia's transfer pricing taxation system and enforcement	Participant		Jap	
	17:30-18:45	Opining exchange meeting sponsored by NTA president	Ninomiya Nobuko Kojima Staff	NTA, Head of Research department NTA, Head of International Support office NTA, International support office	Jap	

1/30 (Wed)	9:30-12:30	Overview of transfer pricing taxation system I	Akio Kamiya	Professor	Jap	JICA Tokyo SR304
	13:30-16:30	Overview of transfer pricing taxation system II	Akio Kamiya	Professor	Jap	
1/31 (Thu)	9:30-12:30	Transfer price taxation/ survey I	Kootaro Okuyama	Professor	Jap	JICA Tokyo SR304
	13:30-16:30	Transfer price taxation/ survey II	Kootaro Okuyama	Professor	Jap	
2/1 (Fri)	9:30-12:30	Case study I	Akio Kamiya	Professor	Jap	JICA Tokyo SR304
	13:30-16:30	Case study II	Kootaro Okuyama	Professor	Jap	
2/2 (Sat)		Holiday				
2/3 (Sun)		Holiday				
2/4 (Mon)	10:00-11:30	Recent trends surrounding international taxation	Takashi Fukuda	KPMG tax consultant	Jap	KPMG
	14:00-15:00	Evaluation session/ closing ceremony	Nobuko Kojima Akio Kamiya Kootaro Okuyama Naomi Orikasa Akihiro Iwasaki Matsuoka Asuka Inagaki Огата Эрина	NTA, Head of International Support office Professor Professor NTA, Specialist NTA, chief NTA, Educator NTA, senior JICA Industrial Development and Public Policy Department	Jap	JICA Tokyo SR304

List of participants

Name	Position
MR.Orsoo TENGIS	Head, Tax Audit Methodology Department, General Department of Taxation
MS.Chinbat ERDENECHIMEG	Senior Inspector, Tax Administration and Cooperation Department, General Department of Taxation
MS.Battsengel ARIUNCHIMEG	Tax Inspector, Tax Administration and Cooperation Department, General Department of Taxation
MR.Byambadorj BILGUUN	Tax Inspector, Public Administration Department, General Department of Taxation
MS.Jambaldorj TSERENTSOO	Tax Inspector, Taxpayers Support Department, General Department of Taxation
MS.Sereenendorj TUGSJARGAL	Senior Inspector, Mineral resources and International tax division, State Budget Revenue Inspection Agency
MS.Tsoodol DELGERMAA	Tax Inspector, Mineral resources and International tax division, State Budget Revenue Inspection Agency
MR.Khalzan ALTANKHUU	Tax Inspector, Administration Division, State Budget and Revenue Department
MS.Nyambaatar MUNKHDAVAA	Inspector, Tax Audit Division, State Revenue and Budget Department
MR.Tsedenbaljir ISHJAMTS	Tax Inspector, Tax Audit Division, State Revenue and Budget Department
MS.Ganbaatar BANZRAGCH	Tax Inspector, Tax revenue division, State Budget Revenue Inspection Agency
MS.Duguitsagaan NARANTSETSEG	Chief, Administration Division, Tax Office of Sukhbaatar District
MR.Sanjid DUUBAYAR	Chief, Unit of Risks and Statistics, Tax Division of Umnugobi Province
MS.Narantsetseg BOLORCHIMEG	Tax Inspector, Tax Audit Division, State Revenue and Budget Department

ANNEX 6.

Provision of Equipment

*The Project for Enhancing Tax Collection Operation and International Tax issues of
Mongolian Tax Administration in Mongolia*

CERTIFICATE OF HANDOVER

To: JICA Mongolia Office

Re: The Project for Enhancing Tax Collection Operation and International Tax issues of Mongolian
Tax Administration in Mongolia

This certificate of handover is to certify that the equipment in the attached list, which shall be
utilized for the Project for Enhancing Tax Collection Operation and International Tax Issues of
Mongolian Tax Administration in Mongolia, have been handed over properly to General
Department of Taxation, Mongolia, as of September 11, 2017.

Attached: List of Equipment

September 20, 2017

(Signature)  _____

Commissioner
General Department of Taxation,
Mongolia

For witness

(Signature)  _____

Iwashita
Team Leader/ Chief Expert
JICA Project Team

*The Project for Enhancing Tax Collection Operation and International Tax issues of
Mongolian Tax Administration in Mongolia*

**ТОНОГ ТӨХӨӨРӨМЖИЙН ЖАГСААЛТ
(LIST OF EQUIPMENT)**

Тоног төхөөрөмжийн худалдан авалт: Чингэлтэй, Сонгинохайрхан дүүргийн татварын албад шаардлагатай тоног төхөөрөмжийн худалдан авалт.
(Purchase of necessary equipment for Chingeltei and Songino-khairkhan Tax Offices.)

Place of Delivery: Chingeltei District Tax Office (40 pcs)
Songino-khairkhan Tax Office (32pcs)

Date of Handover: 20th September, 2017

Д/Д	Тоног төхөөрөмжийн нэр (Item)	Тоо (Qty)	Нэгжийн үнэ (Unit price)	Нийт үнэ (Total)
1	Desktop Computer	72	1,743,000.00	125,496,000.00
2	Operator local telephone	10	131,000.00	1,310,000.00
3	Professional earphone	10	223,000.00	2,230,000.00
	VAT			12,903,600.00
	НИЙТ (Total)			141,939,600.00

Хүлээлгэн өгсөн:
(For the Supplier)

“Монголын Татварын Албаны татвар хураалтын үйл ажиллагаа болон олон улсын татварын асуудлыг боловсронгуй болгох төсөл”-ийг төлөөлж

(For “The project for enhance tax collection operation and international tax issues of Mongolia tax administration in Mongolia”)

С.Нармандах /Төслийн мэргэжилтэн/
(S.Narmandakh /Project expert/)

Хүлээн авсан:
(For the End-User)

Татварын Ерөнхий Газар
(General Department of Taxation)

Г.Батсайхан /Мэдээлэл Технологийн статистикийн төвийн дарга/
(G.Batsaikhan /Head, Information technology and statistics center/)

Л.Бямбадорж /Санхүү хөрөнгө оруулалтын хэлтсийн дарга/
(L.Byambadorj /Head, Finance and investment division/)

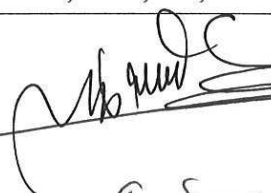


Б.Бямбасүрэн /Нягтлан бодогч/
(B.Byambasuren/Accountant/)

О.Баяраа /Аж ахуйн ажилтан/
(O.Bayaraa /Book keeper/)

*The Project for Enhancing Tax Collection Operation and International Tax issues of
Mongolian Tax Administration in Mongolia*

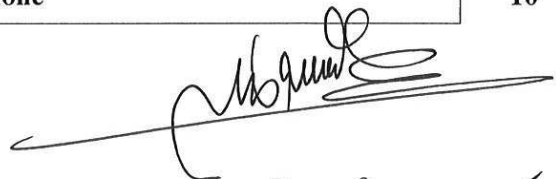
Техникийн үзүүлэлтүүд ба тоо ширхэг
(Specification and Quantity of Equipment)

Тоног төхөөрөмж (Item)		Qty
1	Desktop Computer	
	Model	Dell Optiplex 3050
	CPU	Intel Core™ i5-7500 Processor (6M Cache, 3.8-GHz, 7 th generation)
	RAM	8GB DDR4 2400Mhz (4gb*2)
	HDD	500GB SATA
	Video Card	Integrated Graphics
	Ports	<ul style="list-style-type: none"> • 8 External USB: 4xUSB3.1Gen 1 • RJ-45 • Display port1.2 • HDMI 1.4 • Universal Audio Jack • Line-out • VGA • Serial+PS/2 (optional)
	Optical Drivers	DVDRW
	Keyboard Mouse	Standard USB (Wireless is preferred)
	Monitor	22" P2217H LED
2	Operator local telephone	
	Phone Features	<ul style="list-style-type: none"> ❖ 1 VoIP account ❖ Call hold, mute, DND ❖ One-touch speed dial, hotline ❖ Call forward, call waiting, call transfer ❖ Group listening, SMS ❖ Redial, call return, auto answer ❖ Local 3-way conferencing ❖ Direct IP call without SIP proxy ❖ Ring tone selection/import/delete ❖ Set date time manually or automatically ❖ Dial plan ❖ XML Browser, action URL/URI ❖ Feature keys ❖ 6 features keys: message, headset, redial, tran,

**The Project for Enhancing Tax Collection Operation and International Tax issues of
Mongolian Tax Administration in Mongolia**

	<ul style="list-style-type: none"> ❖ mute, hands-free speakerphone ❖ 5 navigation keys ❖ Volume control keys 	
Other Physical Features	<ul style="list-style-type: none"> ❖ Wall mountable ❖ External universal AC adapter (optional) : AC 100~240V input and DC 5V/600mA output ❖ Power consumption (PSU): 1.2-1.9W ❖ Power consumption (PoE): 1.8-2.3W ❖ Dimension(W*D*H*T): ❖ 185mm*188mm*143mm*38mm ❖ Operating humidity: 10~95% ❖ Operating temperature: -10~50°C 	
Audio Features	<ul style="list-style-type: none"> ❖ Codec: G.711(A/μ), G.723.1, G.729AB, G.726, iLBC ❖ DTMF: In-band, Out-of-band (RFC 2833) and SIP INFO ❖ Full-duplex hands-free speakerphone with AEC VAD, CNG, AEC, PLC, AJB, AGC 	
IP-PBX Features	<ul style="list-style-type: none"> ❖ Anonymous call, anonymous call rejection ❖ Hot-desking, emergency call ❖ Message Waiting Indicator (MWI) ❖ Voice mail, call park, call pickup ❖ Intercom, paging, music on hold ❖ Call completion 	
Interface	<ul style="list-style-type: none"> ❖ 2xRJ45 10/100M Ethernet ports ❖ Power over Ethernet (IEEE 802.3af), class 2 ❖ 1xRJ9 (4P4C) handset port ❖ 1xRJ9 (4P4C) headset port 	
Network and Security	<ul style="list-style-type: none"> ❖ SIP v1 (RFC2543), v2 (RFC3261) ❖ NAT transverse: STUN mode Proxy mode and peer-to-peer SIP link mode ❖ IP assignment: static/DHCP, HTTP/HTTPS web server Time and date synchronization using SNTP UDP/TCP/DNS-SRV (RFC 3263) ❖ QoS: 802.1p/Q tagging (VLAN), Layer 3 ToS, DSCP SRTP for voice Transport Layer Security (TLS) HTTPS certificate manager AES encryption for configuration file Digest authentication using MD5/MD5-sess IEEE802.1X, IPv6 	
3	Professional earphone	10


CERTIFICATE OF HANDOVER

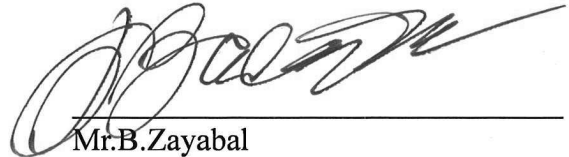
To: JICA Mongolia Office

Re: The Project for the Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration Phase 2

This certificate of handover is to certify that the following equipment, which shall be utilized for the Project for the Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration Phase 2, have been handed over properly to the General Department of Taxation of Mongolia, as of January 24, 2020 with permission of continuously utilizing during the additional dispatching period of the experts till March 31, 2020.

- 1) Name of equipment : Copier, Canon iR2535/2545 UFR II LT
- 2) Quantity : 1 (One)
- 3) Place of delivery : General Department of Taxation, Mongolia
- 4) Date of handover : January 24, 2020

January 24, 2020



Mr. B. Zayabal
Commissioner
General Department of Taxation
Mongolia

for witness



Mr. Iwashita Kenichiro
Chief Expert/Team Leader
JICA Expert Team

ANNEX 7.

Minutes of Meeting of Joint Coordinating Committee

MINUTES OF MEETINGS BETWEEN
JAPAN INTERNATIONAL COOPERATION AGENCY
AND
THE GENERAL DEPARTMENT OF TAXATION OF MONGOLIA
AT
THE FIRST JOINT COORDINATING COMMITTEE MEETING
FOR
THE PROJECT FOR THE ENHANCING TAX COLLECTION OPERATION
AND INTERNATIONAL TAX ISSUES OF MONGOLIAN TAX
ADMINISTRATION Phase 2

The Joint Coordinating Committee (hereinafter referred to as "JCC") was organized between the Japan International Cooperation Agency (hereinafter referred to as "JICA") and the General Department of Taxation (hereinafter referred to as "GDT") regarding the Project for the Enhancing Tax Collection Operations and Resolving International Tax Issues in Mongolian Tax Administration Phase2 (hereinafter referred to as "the Project").

JICA and GDT confirmed their mutual understanding and matters agreed to in the discussions attached hereto.

Ulaanbaatar, 14th April, 2017



Mr. Hiroyuki Kawanishi
Executive Advisor to the Director General,
Industrial Development and Public Policy
Department,
Japan International Cooperation Agency
Japan



Mr. L. Zorig
Commissioner
General Department of Taxation
Mongolia



Mr. Kenichiro Iwashita
Chief Advisor of the Project for the
Enhancing Tax Collection Operation and
International Tax Issues of Mongolian Tax
Administration Phase2

I. INTRODUCTION

Upon successful completion of the Phase I of the Project for the Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration” under the JICA Technical Assistance, the Phase II has been decided to implement as requested by the Government of Mongolia. The Project shall commence upon discussion and acceptance of the Work Plan by this JCC meeting. A Baseline survey on determining present situation of the tax administration at the time of Project commencement has been conducted.

II. SPECIFIC ISSUES CONFIRMED ON THE PROJECT

1. Work Plan

Both parties have reached agreement on the content of the Work Plan. If there are any changes during the project’s implementation stages, agreement will be reached through discussions via the JCC as appropriate. (ANNEX I).

2. Pilot Organization

The GDT has recommended that the Chingeltei and Songinokhairkhan district tax offices be targeted as pilots for increasing internal work efficiency of tax collection administration. JICA will determine the appropriateness of these two tax offices based on a survey by experts and come up with further solution.

3. Baseline Survey

The results of the baseline survey were confirmed by the GDT and JICA project teams. While there is no need to change the Work Plan at the present stage, the JICA project team will confirm the results through further local checks. (ANNEX II).

4. PDM Changes

Regarding PDM, both side agreed upon to remove "Tax collection rate per operator at the.." from “Objectively Verifiable Indicator 2” of the Overall Goal.

III. OTHER ITEMS OF DISCUSSION

1. Joint Coordination Committee (JCC)

JCC composition in charge of overseeing, supporting and cooperating with the Project activities was approved by the GDT Commissioner’s Resolution #A/77 dated on 5 April 2017. Names of members currently holding positions of the approved structure are provided in ANNEX III.

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2. JCC Member

JICA requested GDT to include the Ministry of Finance as a member of the JCC. GDT decided to consider this issue and respond to JICA after consultation with Ministry of Finance, Mongolia.

3. Selection of Core Staff of International Taxation

JICA requested to select core staffs of international taxation from various departments related with international taxation. GDT agreed this point and requested the project expert advice on this matter.

4. Further Assistance

The GDT requested further assistance from JICA when it became necessary for work that exceeded the scope of agreement of this work plan due to amendment of the law and regulation. JICA stated that if the request of GDT to be added falls within the scope of project purpose of this project, it will be examined.

ANNEX I.	Work Plan
ANNEX II.	Baseline Survey Report
ANNEX III.	JCC Member List
ANNEX IV.	List of Participants

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BB (6)

MINUTES OF MEETINGS BETWEEN
JAPAN INTERNATIONAL COOPERATION AGENCY
AND
THE GENERAL DEPARTMENT OF TAXATION OF MONGOLIA
AT
THE SECOND JOINT COORDINATING COMMITTEE MEETING
FOR
THE PROJECT FOR THE ENHANCING TAX COLLECTION OPERATION
AND INTERNATIONAL TAX ISSUES OF MONGOLIAN TAX
ADMINISTRATION Phase 2

The Joint Coordinating Committee (hereinafter referred to as “JCC”) was organized between the Japan International Cooperation Agency (hereinafter referred to as “JICA”) and the General Department of Taxation (hereinafter referred to as “GDT”) regarding the Project for the Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration Phase2 (hereinafter referred to as “the Project”).

JICA and GDT confirmed their mutual understanding and matters agreed to in the discussions attached hereto.

Ulaanbaatar, 5th October, 2017



Mr. Mutsumi Sato
Chief Representative
JICA Mongolia Office
Japan International Cooperation Agency
Japan



Mr. D. Zandanbat
Commissioner
General Department of Taxation
Mongolia



Mr. Kenichiro Iwashita
Chief Expert/Team Leader
JICA Expert Team



Mr. B. Dorjsembed
Director General
Development Financing Department
Ministry of Finance
Mongolia

I. INTRODUCTION

The Project has commenced upon discussion and acceptance of the Work Plan by the first JCC meeting. A Baseline survey on determining present situation of the tax administration at the time of Project commencement has been conducted and its result has accepted by the JCC. During the period, 2 situational changes have been occurred as the Commissioner of the GDT has changed and the Executive Board of the International Monetary Fund (IMF) has approved a three-year extended arrangement under Extended Fund Facility (EFF) for the Government of Mongolia, which welcomes plans to strengthen tax administration. Based on the situation the Project Team has implemented all activities, which have planned in the Work Plan, including supports on tax law reform.

II. SPECIFIC ISSUES CONFIRMED ON THE PROJECT

1. Monitoring Sheet

Both sides confirmed the Project progress by the Monitoring Sheet as attached hereto. (ANNEX I)

2. Work schedule

The deliberation on the General Tax Law is expected to have an impact on the process of tax collection. Even if a tax collection manual for greater efficiency in internal administration was to be created at this point, further broad amendments are likely. Therefore, creating it following the results of the General Tax Law would reduce the burden of GDT's work in the field. Both sides agreed to this approach, and were in accordance over rethinking the work schedule following the results of the General Tax Law amendment and then starting work on the tax collection manual.

3. Tax Collection work efficiency

The project team proposed that the supply of the PCs should be taken into consideration as an opportunity to fundamentally reexamine how the tax collection department carries out its daily tasks. To date, staff have been assigned to taxpayer basis and undertaken both delinquent disposition work and receivables supervision work; however, this will be reorganized into separate oversight of delinquent disposition work and receivables supervision work to increase the efficiency of the internal works of tax offices. The GDT has agreed to implement it on trial basis and both sides agreed to discuss precisely it's time to commence and way to implement.



4. JICA has requested that the automatic notification system of the Call Center to be put into operation immediately, and GDT has agreed to deliver the work schedule after having discussed internally how the issue can be resolved.

III. OTHER ITEMS OF DISCUSSION

1. Selection of Trainers

The GDT has selected 46 appropriate personnel, who will participate as core officials, responsible for International Taxation issues in all trainings, which will be implemented during the Project. The Project experts conducted pre-training for 33 newly selected personnel to eliminate knowledge difference on August, 2017. (ANNEX II)

2. Delivery of Equipment

The contracted supplier delivered 72 PCs. The supplier was selected by the “Limited Competitive Bidding” from the technically and financially qualified suppliers with experience of similar work, the one selected offered the lowest price. The Project team has handed 40 computers to the Chingeltei District Tax Office and 32 computers to the Songinokhairkhan District Tax Office and requested to handle properly to register as the property by the GDT regulation. (ANNEX III)

3. Submission of Translated Materials

The Project Team completed and submitted the “Comprehensive Handbook of Japanese Taxes 2010”, which has been translated on the request of the Deputy Commissioner on May 1, 2017 by the letter No.02/1270.

ANNEX I.	PDM (Project Monitoring Sheet I) PO (Project Monitoring Sheet II)
ANNEX II.	List of Trainees
ANNEX III.	List of Equipment handed over and Technical Specification
ANNEX IV	Recommendation on Package of Tax Laws Provided by JICA Project Experts and Report of Ongoing Progress
ANNEX V.	List of Participants



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MINUTES OF MEETINGS BETWEEN
JAPAN INTERNATIONAL COOPERATION AGENCY
AND
THE GENERAL DEPARTMENT OF TAXATION OF MONGOLIA
AT
THE THIRD JOINT COORDINATING COMMITTEE MEETING
FOR
THE PROJECT FOR THE ENHANCING TAX COLLECTION OPERATION
AND INTERNATIONAL TAX ISSUES OF MONGOLIAN TAX
ADMINISTRATION Phase 2

The Joint Coordinating Committee (hereinafter referred to as “JCC”) was organized between the Japan International Cooperation Agency (hereinafter referred to as “JICA”) and the General Department of Taxation (hereinafter referred to as “GDT”) regarding the Project for the Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration Phase2 (hereinafter referred to as “the Project”).

JICA and GDT confirmed their mutual understanding and matters agreed to in the discussions attached hereto.

Ulaanbaatar, 27th April, 2018



Mr. Mutsumi Sato
Chief Representative
JICA Mongolia Office
Japan International Cooperation Agency
Japan



Mr. B. Zayabal
Deputy Commissioner
General Department of Taxation
Mongolia



Mr. Kenichiro Iwashita
Chief Expert/Team Leader
JICA Expert Team



Mr. T. Batkhuu
Director General
Development Financing Department
Ministry of Finance
Mongolia

I. INTRODUCTION

The Project has commenced upon discussion and acceptance of the Work Plan by the first JCC meeting. A Baseline survey on determining present situation of the tax administration at the time of Project commencement has been conducted and its result has accepted by the JCC. The second JCC was held in October 2017 to confirm the progress of the project.

This 3rd JCC will be held to confirm the progress of the project together with the present situation of tax reform currently underway by the Mongolian government.

II. SPECIFIC ISSUES CONFIRMED ON THE PROJECT

1. Project Progress

The project team explained the progress and future priority points of the project focusing on human resource development and draft tax revision proposal. Both sides shared the project progress as follows:

Output 1:

- Training for selected 46 core-staffs was held between 11-15 Sept., using Japanese international transaction cases. Before the training, baseline data on knowledge and experience of trainees was collected. Practical training was held between 27 Nov. to 1 Dec. 11, using Mongolian international transaction cases.
- Country focused training for the selected 15 core-staffs was held in 12-19 Apr 2018. International transaction cases of Mongolian Taxes which are required for the preparation of training materials are collected and translated for submission to the training organization.

Output 2:

- Regarding legal amendment, WG has formed, including officials from the GDT and the Ministry of Finance. Experts prepared materials on articles which necessary for legal acts such as General Tax law, Corporate Tax Law and Tax Treaties. All prepared materials were distributed to the WG members and explained through the workshops.

Output 3:

- The Project team experts developed recommendations to the Draft of General tax law amendment related to self-enforcement right and other tax measures, which are necessary for tax collection strengthening together with a description of the grounds for incorporating the law and submitted to joint WG with the MOF.

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- Five meetings were organized with the working group to discuss the content of the draft law and the project was amended. The Project team experts started to work under the draft of relevant regulations to be submitted along with the law draft.
- Providing the information needed to develop a Technical Specification related to the development of the tax debt call system.

2. Revisions of the Record of Discussion

Revisions of the Record of Discussion (hereinafter referred to as “RD”) including PDM, JICA explained the draft of revised PDM. GDT agreed to these revisions. JICA and GDT will achieve internal approval for today’s discussion on the revision of PDM and prepare another Minutes of Meetings for official revision of the RD including PDM.

3. Work related to tax law amendment

Work involved in the revision of the tax law is expected to involve enormous work such as preparation of GDT Commissioner Orders, improvement of work involving creation of manual, training of staff. GDT requested Japanese experts’ sufficient support for these matters. JICA promised the necessary input of experts during this project.

4. Work Plan

According to the work plan agreed at the 1st JCC, workplan version 2 will be prepared in May 2018. The JICA Project Team suggested that this workplan version 2 should be prepared after the Parliament approval of the tax law revisions. The contents of tax law revision should be reflected to the workplan. The GDT agreed to this matter.

III. OTHER ITEMS OF DISCUSSION

1. GDT requested translation of the revised version of the OECD model tax convention into Mongolian language for internal use. JICA accepted this request.
2. Mongolia has joined the Inclusive Framework on BEPS (Base Erosion and Profit Shifting), which brings over 100 countries and jurisdictions to collaborate on the implementation of BEPS package. GDT wishes to receive support in implementing and applying the rules in a consistent and coherent manner, particularly those for which capacity building and requested to JICA for cooperation in finding out what possibilities existed.

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ANNEX I

List of Participants

1. GDT:

Mr.B.Zayabal	Deputy Commissioner, General Department of Taxation
Mr.B.Galbadrakh	Acting Head, Tax Administration and Cooperation Department
Mr.L.Nergui	Head, Public Administration and Management Department
Mr.D.Tsogtjargal	Head, Revenue Department
Ms.D.Tsogzolmaa	Head, Taxpayer Communication Department
Mr.G.Batsaikhan	Head, Information and Statistics Center
Ms.B.Badamtsetseg	Head, Training Center
Ms.N.Byambaa	Head, State Budget Revenue and Audit Department

Secretary:


Ms.G.Bulgan	State Tax Inspector, Tax Administration and Cooperation Department
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2. JICA:

Mr.Mutsumi Sato	Chief Representative, JICA Mongolia Office
Ms.A.Saikhantuya	Representative
Ms.U.Javkhlan	Officer

3. JICA Project Team:

Mr.Kenichiro Iwashita	Chief advisor/human resource development
Mr.Toshinari Kodera	International Taxation (Tax System)
Mr.Mitsuru Kosaka	Tax Collection (Legal environment)
Mr.Hideaki Ishiguro	International Taxation (Training)
Ms.S.Narmandakh	Project Coordinator
Mr.B.Erdenebaatar	Local Consultant

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MINUTES OF MEETINGS BETWEEN
JAPAN INTERNATIONAL COOPERATION AGENCY
AND
THE GENERAL DEPARTMENT OF TAXATION OF MONGOLIA
AT
THE FOURTH JOINT COORDINATING COMMITTEE MEETING
FOR
THE PROJECT FOR THE ENHANCING TAX COLLECTION OPERATION
AND INTERNATIONAL TAX ISSUES OF MONGOLIAN TAX
ADMINISTRATION Phase 2

The Joint Coordinating Committee (hereinafter referred to as “JCC”) was organized between the Japan International Cooperation Agency (hereinafter referred to as “JICA”) and the General Department of Taxation (hereinafter referred to as “GDT”) regarding the Project for the Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration Phase2 (hereinafter referred to as “the Project”).

JICA and GDT confirmed their mutual understanding and matters agreed to in the discussions attached hereto.

Ulaanbaatar, 12th September, 2018



Mr. Mutsumi Sato

Chief Representative

JICA Mongolia Office

Japan International Cooperation Agency

Japan




Mr. B. Zayabal

Deputy Commissioner

General Department of Taxation

Mongolia



Mr. Kenichiro Iwashita

Chief Expert/Team Leader

JICA Expert Team



Mr. I. Batkhoo

Director General

Development Financing Department

Ministry of Finance

Mongolia

I. INTRODUCTION

The parties have constantly been overseeing the implementation of the Project against the Work plan discussed and approved by the 1st JCC meeting. 3rd JCC meeting was held in April 2018 where the work performance of the Project in previous year was evaluated and the Work plan was modified taking into consideration the circumstances of activities of the concerned period.

This 4th JCC meeting expects to approve the Work plan for the next year activities of the Project and provide outline on current situation of revisions of the package of tax laws introduced by the Government of Mongolia and other pressing issues related herewith.

II. KEY ISSUES DISCUSSED IN RELATION TO THE PROJECT

1. Progress of the Project

The project progress was identified based on the Monitoring Sheets Version 3 (AnnexII).

Output 1:

- Training designed to eliminate knowledge gaps of tax inspectors uncovered by the training in Japan was conducted during April 30 through May 4, 2018 in line with training curriculum used in the training in Japan. In addition to them, 10 tax auditors from the State Budget Revenue and Control Department, 1 tax inspector from the Risk Management Division and 1 tax inspector from the Tax Audit and Methodology Department of GDT participated in this training.
- Training on transfer pricing cases for 46 staffs selected as to be specialized in international taxation matters was organized during August 27-31, 2018. The participants worked on actual cases and court decisions occurred in Japan and hold a peer discussion on options with regard to how the case can be resolved under legal environment of Mongolia.

Output 2:

- Comprehensive documents compiling legislative acts of Japan and their supporting ordinances and circulars in relation to transfer pricing documentation were prepared and submitted to GDT in April 2018.

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- The Project team experts worked in collaboration in developing transfer pricing regulation and are currently expected to provide support in formulating relevant regulations only after the law amendments are passed.

Output 3:

- The Project team experts developed recommendations on provisions which were necessary for tax collection strengthening such as self-enforcement right and other matters regarding collection of taxes to be reflected in the draft revision of the General tax law together with description of the grounds for incorporating them into the law. This recommendation was submitted to joint WG with the MOF and made them incorporated into the draft law.
- The Project team experts worked jointly with the GDT WG in developing accompanying regulations to be passed along with draft laws, and prepared new drafts of regulations such as on secondary obligation of payment of taxes and regulation on granting grace period to payment of taxes, and forms to be used for purposes of such regulations. These drafts and necessary comments were submitted to the WG so that they were incorporated into regulations such as on Sealing and on Conversion into monetary forms that being prepared by the WG.
- The Project team experts provided necessary information required in preparing technical specifications for Tax Debt Call IT System to be utilized by the Call Center. The GDT managed the budget necessary to develop this system approved by MOF and currently takes charge of procurement and implementation of the system.

2. Work Plan

The Project team made briefs on the Work plan modified in line with expectation that the tax package revision would be discussed during fall session of the State Great Khural (Parliament), and got the Plan approved by the JCC members.

3. Activities related to revision of the tax package laws

Upon adoption of revised tax package laws by the Parliament and within the framework of implementing those laws including the General Law of Taxation and Corporate Income Tax Law that incorporate brand new provisions such as on grace period for payment of taxes, self-enforcement, tax priority right, transfer pricing and other international taxation matters, there would arise pressing needs for the GDT to investigate how such matters

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involving those new systems are managed in practice, how the problems that might be encountered during the implementation and those areas that require special consideration in formulating supplementing regulations. To this end, the GDT has provided its justification for such needs and submitted its request to JICA Mongolia Office to explore the possibilities to organize a study tour that is out of scope of the Project Plan. JICA has responded to examine possibilities in this regard.

III. OTHER ISSUES

1. As per the GDT request to translate and provide support on using the updated version of OECD Model Tax Convention on Income and on Capital for its internal use, the translation has been completed and currently is under proofreading. The Project team has notified that the printed publication would be delivered for a training purpose.
2. It is expected that the Project would expire at the time of launching implementation of the tax package amendments and accompanying regulations developed jointly with the Project team experts. The GDT therefore has notified that it officially submitted a request for the successor project to MOF providing its justification to extend the Project during implementation phase of the new system and receive necessary consultation and support.
3. The GDT requested to include the following three inspectors into the list of core staff of international taxation, taking into account the job needs of the inspectors.
 - 1) B.Ariunchimeg State Tax Inspector, Tax Administration and Cooperation Department, GDT
 - 2) D.Narantsetseg Head, Administrative division, Sukhbaatar District Tax Office
 - 3) B.Bilguun Official, Administrative Department, GDT

ANNEX I. List of Participants

ANNEX II. Monitoring sheet

ANNEX III. Work Plan Ver 2.

ANNEX I

List of Participants

1. GDT:

Mr.B.Zayabal	Deputy Commissioner, General Department of Taxation
Mr.Ts.Enkhjavkhlan	Acting Head, Tax Administration and Cooperation Department
Mr.L.Nergui	Head, Public Administration and Management Department
Mr.D.Tsogtjargal	Head, Revenue Department
Ms.D.Tsogzolmaa	Head, Taxpayer Communication Department
Mr.G.Batsaikhan	Head, Information and Statistics Center
Ms.B.Badamtsetseg	Head, Training Center
Ms.N.Byambaa	Head, State Budget Revenue and Audit Department

Secretary:

Ms.M.Khaliun Official, Tax Administration and Cooperation Department

2. JICA:

Mr.Mutsumi Sato	Chief Representative, JICA Mongolia Office
Ms.A.Saikhantuya	Representative
Ms.U.Javkhlan	Officer

3. JICA Project Team:

Mr.Kenichiro Iwashita	Chief advisor/human resource development
Mr.Toshinari Koderu	International Taxation (Tax System)
Mr.Mitsuru Kosaka	Tax Collection (Legal environment)
Mr.Shigeo Kumakura	Tax Collection (Operation)
Ms.S.Narmandakh	Project Coordinator
Mr.B.Erdenebaatar	Local Consultant

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MINUTES OF MEETINGS BETWEEN
JAPAN INTERNATIONAL COOPERATION AGENCY
AND
THE GENERAL DEPARTMENT OF TAXATION OF MONGOLIA
AT
THE FIFTH JOINT COORDINATING COMMITTEE MEETING
FOR
THE PROJECT FOR THE ENHANCING TAX COLLECTION OPERATION
AND INTERNATIONAL TAX ISSUES OF MONGOLIAN TAX
ADMINISTRATION Phase 2

The Joint Coordinating Committee (hereinafter referred to as “JCC”) was organized between the Japan International Cooperation Agency (hereinafter referred to as “JICA”) and the General Department of Taxation (hereinafter referred to as “GDT”) regarding the Project for the Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration Phase2 (hereinafter referred to as “the Project”).

JICA and GDT confirmed their mutual understanding and matters agreed to in the discussions attached hereto.

Ulaanbaatar, 27th June, 2019

田村 利子

Ms. Eriko Tamura
Chief Representative
JICA Mongolia Office
Japan International Cooperation Agency
Japan

Mr. Kenichiro Iwashita
Chief Expert/Team Leader
JICA Expert Team



Mr. B. Zayabal
Commissioner
General Department of Taxation
Mongolia



Mr. I. Batkhuu
Director General
Development Financing Department
Ministry of Finance
Mongolia

I. INTRODUCTION

The parties have constantly been overseeing the implementation of the Project against the Work plan discussed and approved by the 1st JCC meeting. 4th JCC meeting was held in September 2018 where the work performance of the Project in previous year was evaluated and the Work plan was modified taking into consideration the circumstances of activities of the concerned period.

This 5th JCC meeting expects to confirm the information regarding the revisions of the package of tax laws approved by the Government of Mongolia and other pressing issues related herewith. The Parliament of Mongolia has approved the General Taxation Law, the Corporate Income Tax Law and the Personal Income Tax Law (Tax Package) on 22 March 2019. This is the second largest tax reform in Mongolia in history and these laws are effective from January 1, 2020.

II. KEY ISSUES DISCUSSED IN RELATION TO THE PROJECT

1. Progress of the Project

The project progress was identified based on the Monitoring Sheets Version 3.

Output 1:

- Follow-up review of training participants was conducted in September 2018. The trainees were first asked to fill in the questionnaire related to training and then interviewed by the Project Experts, through physical attendance at participants' work premises, as to how they utilize the knowledge and skills acquired during the training at their work. During the interview the expert got also acquainted with their work activities and provided further recommendations. The report summarizing the review results was submitted to GDT.
- The peer review was conducted in a manner that all training participants were asked to prepare actual cases in advance and demonstrated how they utilize their knowledge and skill acquired from the training.
- The advanced level training was delivered to 14 state tax inspectors during 28 January to 5 February 2019 in Japan and preparatory works for this training have done by the Project team.
- In order to eliminate knowledge gap, a training was hold from 18 March to 22 March 2019 for those who did not attend the training in Japan in February 2019. Inspectors who attended training in Japan had transferred their learning during the training to others.

Output 2:

- Comprehensive documents compiling legislative acts of Japan and supporting ordinances and circulars in relation to transfer pricing documentation were prepared. In particular, the comments were provided and made them reflected in draft regulations such as on General anti-avoidance rule, transfer pricing and determining arm's length price, permanent establishment, and on exchange of information. "Comprehensive guide of Japanese taxes" was translated, bound and submitted to GDT in order to let them refer to advanced cases in Japan.
- Translation of updated edition of the OECD Model Tax Convention on Income and on Capital 2017 was completed in response to GDT request, and got it bound in 100 copies and handed over to GDT.
- The Project Experts reviewed the draft General Law of Taxation and Corporate Income Tax Law, provided necessary recommendation and comments both in written and oral forms reviewed draft regulations and procedures. The following recommendations on improving legal basis of international taxation system have been provided with the GDT. GDT finalized the draft including recommendations from the Project Experts, and it was approved by the Diet on 22 March, 2019:
 - a) Source rules;
 - b) Definition on permanent establishment;
 - c) Transfer pricing methods and transfer pricing documentation;
 - d) General Anti-avoidance Rule (GAAR);
 - e) Mutual agreement procedure;
 - f) Exchange of Information.
 - g) Controlled Foreign Company (CFC) taxation system;
 - h) Thin capitalization tax, and
 - i) Earnings stripping rule.

Output 3:

- Organized monthly meetings with the working group to discuss on contents of draft General Law of Taxation, provided advice and incorporated amendments to the draft law. The Project Experts developed new draft regulations and necessary forms to be attached to such regulations. These include "Regulations on implementation of actions to recover tax arrears from persons with secondary obligation to pay taxes", "Regulation on granting grace period for payment of tax arrears", "Regulation on sealing and seizure of properties and assets" and "Regulation on organizing auctions and conversion into monetary forms through direct contracts".

Recommendation in relation to promoting law awareness among the public is scheduled to be provided after approval of the amendments to the General Law of Taxation.

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- The Project Experts have provided the necessary information to develop a technical specification related to the development of the debt call system. GDT should have carried out system development as agreed from the beginning of the project. Necessary budget for development was approved by MOF and the procurement procedure is going on by GDT.

Taxpayer information module of the system was developed by GDT itself and the connection module to the Integrated Tax system of GDT and automatic call modules development is currently under bid.

- Before discussion of the draft law on Parliamentary Standing committees, the Project Experts organized meeting with the working group members from related departments to explain the needs and significance of the newly introduced provisions and also how to provide implementation and other relevant issues.

Recommendation had been provided by the Project Experts team to the GDT for improving legal basis of tax collection system and approved by the Diet on 22 March, 2019. Contents are as follows:

- a) Self-enforcement right of tax authority in tax collection
- b) Priority of national taxes
- c) Secondary obligation of payment of taxes
- d) Granting grace period to payment of taxes
- e) Collection of risky taxes forehand

2. Issues related with providing implementation of the approved tax law package

Regarding the new tax law package, which will come into force on 1 January 2020, GDT is now working on preparation of related regulations based on international taxation and tax collection practice of Japan and other developed countries. These concepts are also fundamental to achieve BEPS minimum standard and Global Forum requirements. GDT also plans to implement activities such as preparation and revision of tax collection manuals, on the job training for the tax officials, who would be in charge of self-enforcement right. The new tax system is formed introducing Japanese experiences, but GDT has lack of the experience of this new tax system, so providing trainings and methodological guidance nationwide are difficult.

With such a background, the additional support by JICA is still necessary. Thus, GDT has requested to continue the JICA support through the Technical Cooperation Project to ensure implementation of the newly introduced tax system at the earliest timing possible.

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3. Approve of Work Plan

Workplan version 3 has prepared in May 2019, reflecting contents of tax law revision. Both sides agreed to implement activities, which is possible to complete during the remained project duration.

4. Change on the PDM

JICA explained the draft of revised PDM. GDT agreed to these revisions. JICA and GDT will achieve internal approval on the revision of PDM and prepare another Minutes of Meetings for official revision of the RD including PDM.

ANNEX I. List of Participants

ANNEX II. Work Plan

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ANNEX I

List of Participants

1. GDT:

Mr.Ts.Enkhjavkhlan	Head, Tax Administration and Cooperation Department
Ms.T.Tamir	Senior Tax Inspector, Revenue Department
Ms.D.Tsogzolmaa	Head, Taxpayer Communication Department
Ms.B.Badamtsetseg	Head, Training Center
Ms.N.Byambaa	Head, State Budget Revenue and Audit Department
Secretary:	
Mr.M.Khaliun	Official, Tax Administration and Cooperation Department

2. JICA:

Ms.Eriko Tamura	Chief Representative, JICA Mongolia Office
Mr. Kensuke Tsuji	Director, Public Governance and Financial Management Team, Industrial Development Department, JICA HQ
Ms.A.Saikhantuya	Representative
Ms.Ts.Buyanjargal	Officer

3. Project Team:

Mr.Kenichiro Iwashita	Chief advisor/human resource development
Mr.Toshinari Koderu	International Taxation (Tax System)
Mr.Mitsuru Kosaka	Tax Collection (Legal environment)
Mr.B.Erdenebaatar	Local Consultant
Ms.S.Narmandakh	Project Coordinator

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MINUTES OF MEETINGS BETWEEN
JAPAN INTERNATIONAL COOPERATION AGENCY
AND
THE GENERAL DEPARTMENT OF TAXATION OF MONGOLIA
AT
THE SIXTH JOINT COORDINATING COMMITTEE MEETING
FOR
THE PROJECT FOR THE ENHANCING TAX COLLECTION OPERATION
AND INTERNATIONAL TAX ISSUES OF MONGOLIAN TAX
ADMINISTRATION Phase 2

The Joint Coordinating Committee (hereinafter referred to as “JCC”) was organized between the Japan International Cooperation Agency (hereinafter referred to as “JICA”) and the General Department of Taxation (hereinafter referred to as “GDT”) regarding the Project for the Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration Phase2 (hereinafter referred to as “the Project”).

JICA and GDT confirmed their mutual understanding and matters agreed to in the discussions attached hereto.

Ulaanbaatar, 5th December, 2019

田村 恵子

Ms. Eriko Tamura
Chief Representative
JICA Mongolia Office
Japan International Cooperation Agency
Japan



Mr. B. Zayabal
Commissioner
General Department of Taxation
Mongolia



Mr. Kenichiro Iwashita
Chief Expert/Team Leader
JICA Expert Team



Mr. I. Batkhoo
Director General
Development Financing Department
Ministry of Finance
Mongolia

I. INTRODUCTION

The parties have constantly been overseeing the implementation of the Project against the Work plan discussed and approved by the 1st JCC meeting. 5th JCC meeting was held in June 2019 where the work performance of the Project in previous year was evaluated and the Work plan which was modified taking into consideration the circumstances of activities of the concerned period was approved.

This 6th JCC meeting expects to confirm the achievement of the project.

II. KEY ISSUES DISCUSSED IN RELATION TO THE PROJECT

1. Progress of the Project and Objectively Verifiable Indicators

The project progress was identified based on the Monitoring Sheets Version 4 which has approved by the previous JCC.

1.1 Overall Goals

Mongolian Tax Administration in the field of international taxation and tax collection is further improved.

Objectively Verifiable Indicators:

1. Detection rate of misfiling and non-filing on cross border transaction is increased compared with that of the project completion
2. For future amendment of relevant laws related to the indicator 2-2 of output 2, GDT submits revised proposal to the Ministry of Finance based on their instruction.
3. Tax Debt Center is not decreased or is increased compared with that the project completion.
4. The number of cases dealt as the self-enforcing is increased.

Current status: (Expected to be almost achieved)

It is expected to be almost achieved. Since the revision of laws related to international taxation and collection will be implemented from January 2020, the impact cannot be determined at present, but further tax revenue increases are expected by the enforcement of the law. Detection rate of misfiling and non-filing on cross border transaction has been increased. The tax collection by Tax Debt Center has also been shown to have a positive effect.

For details, refer to the explanation for each Output.

1.2 Project Purpose

Mongolian Tax Administration in the field of international taxation and tax collection is reinforced.

Objectively Verifiable Indicators:

(In the field of International taxation)

1. The number of advanced cases on audit of cross border transaction submitted by trainee during the peer-review is increased compared with that of the beginning of the Project.
2. Knowledge is shared through case studies utilizing information of cross border transaction collected and accumulated during the project period.
3. A proposal on amendment of laws related to the international taxation is submitted by GDT, and received by Ministry of Finance.

(Tax Collection)

4. The number of cases dealt by the Tax Debt Call Center is increased compared with that of the commencement of the Center.
5. Manual submitted by the Project is utilized at another district tax office in Ulaanbaatar on a trial basis.
6. Revenue is recognized as a result of execution of self-enforcing.

Current status (Expected to be almost achieved)

This project supported GDT's efforts to revise international taxation and collection-related tax laws, and greatly contributed to the development of the legal base related to tax administration. In particular, granting self-execution rights to GDT by amending the law is expected to increase the authority of tax officials and contribute to securing future revenues. Accumulation of overseas transaction information and sharing of cases contributed to securing tax revenue through penalty tax, and contributed to improving the capacity of GDT to respond to overseas transaction taxation.

Formulation and improvement efforts of the Tax Debt Call Center were implemented with the cooperation of the project. It contributed to the improvement of the collection ability, such as the increase in the number of delinquency arrangements.

The manual was submitted to GDT. It will be used as a final version at the tax offices throughout Mongolia, not as a pilot district trial.

Since the amended laws will be enforced in January 2020, it is not possible to measure the amount of collection as a result of execution of self-enforcing at present, but GDT will collect the information from January.

For details, refer to the explanation for each output.

1.3 Output 1: Middle and advanced level knowledge and practical skills necessary for international taxation is acquired

Objectively Verifiable Indicators:

1. 80% of the trainees complete training for five times (during three years).
2. 100% of trainees improve their score of the Post-test compared with that of the Pre-test
3. More than half of all the cases submitted in the peer review reach the level of 3.5 as a result of check-list evaluation.

Current status (Expected to be achieved)

1. Except for catch-up training and follow-up training (training received by those who were not core members in the previous phase and who were unable to attend training in Japan), 88.1% of the participants completed the five training sessions.
2. With the exception of those who left the course due to unavoidable circumstances, all participants (100%) scored higher in the comparison of the Pre-Post test.
3. The peer review was conducted on November, 2018 and December, 2019 in a manner that all training participants were asked to prepare actual cases in advance and demonstrated how they utilize their knowledge and skill acquired from the training. In this project, based on the peer review evaluation document, advanced and complex cases were set at 3.5 points. In the first peer review, it was 2.95, less than 3.5. In the second peer review, it was 3.58.

Other activities carried out during this period

- Follow-up review of training participants was conducted twice in September 2018 and 2019. The trainees were first asked to fill in the questionnaire related to training and then interviewed by the Project Experts, through physical attendance at participants' work premises, as to how they utilize the knowledge and skills acquired during the training at their work. During the interview, the expert got also acquainted with their work activities and provided further recommendations. The report summarizing the review results was submitted to GDT.
- The advanced level training for core staffs, responsible for international taxation was held from August 26 for a week.

1.4 Output 2: Foundation of international taxation is further developed

Objectively Verifiable Indicators:

1. International Taxation Division of Strategy and Development Department and Risk Management Department of GDT collect and accumulate information related to the audit on cross border transaction.
2. Japanese project team finalizes a proposal on future taxation reform including establishment of source rules on domestic source income, expansion of systems related to international tax avoidance, and development of system for the elimination of international double taxation.
3. Regulations related to international taxation based on the amended law are issued by GDT.

Current Status (Expected to be achieved)

1. Regarding international taxation organizations, the implementation of this project will address international taxation issues within the State Budget Revenue and Control Department (SBRCD) in addition to the GDT Tax Administration and Cooperation Division (TACD), which deals with international taxation issues. A new unit was established to strengthen the international taxation implementation system.
Accumulation of overseas transaction information began in 2017, and as of September 2019, 309 cases have been reviewed again. As a result, about 240 million yen has been collected in Japanese yen so far.
2. Provided comments and recommendations on a regular basis in relation to provisions on transfer pricing and transfer pricing documentation reflected in the General Law of Taxation for example explanation on transaction difference, how to adjust the difference (difference adjustment 5 methods) and working capital adjustment. Comprehensive documents compiling legislative acts of Japan and their supporting ordinances and circulars in relation to transfer pricing documentation were prepared. In particular, the comments were provided in draft regulations such as General anti-avoidance rule, Mutual Agreement Procedure with foreign tax authorities, Automatic Exchange of Information, regulation on selection and application of the most appropriate method of making transfer pricing adjustment, registration and deregistration, filing and payment of permanent establishment, and regulation on lodging request for foreign tax credit and validating the request.
3. The project expert drafted GAAR draft for regulation. The others were prepared in the form of expert advice on what the GDT prepared. This approach emphasizes ownership.

Currently, it is public comment period for regulations. It will be revised later if necessary, and will be issued within the project period.

1.5 Output 3: Foundation tax collection is strengthened

Objectively Verifiable Indicators:

1. Function and targeted party of the Tax Debt Call Center is reexamined.
2. Manual for Improvement of tax collection and its related work is submitted by the Project and is received by GDT.
3. GDT issues regulations related self-enforcing and completes development of necessary materials including manuals.

Current Status (Expected to be achieved)

1. Since 2017, when GDT revised the Tax Debt Call Center management policy through project support, the percentage of payment commitments has increased, and the number of cases returned to the tax office has decreased. Efficient notification by narrowing down to the following three conditions for the notification target ((1) new occurrence, (2) non-payment of 3 tax areas, and (3) total non-payment by tax item is less than 1 million MNT) Contributed to the implementation. In addition, the strengthening of cooperation between GDT and district tax offices has led to the early resolution of return cases, etc., which has also led to operational efficiency.
2. Based on the revision of the general tax law, JICA project team had drafted a tax collection manual and of written forms and submitted to the GDT on August. After the public comments period, GDT will finilaize the manual.
3. The Project experts developed new draft regulations and necessary forms to be attached to such regulations. These include “Regulations on implementation of actions to recover tax arrears from persons with secondary obligation to pay taxes”, “Regulation on granting grace period for payment of tax arrears”, “Regulation on sealing and seizure of properties and assets” and “Regulation on organizing auctions and conversion into monetary forms through direct contracts”. After the public comments period, GDT will finilaize the regulation including manual.

Other activities carried out during this period

- Trainings for tax officials, necessary for raising awareness of new tax law were held in each Province regional centers and also organized centralized training for Soum tax officials in Ulaanbaatar. Also trainings for all officials, responsible for tax collection in District and the Capital city tax offices were held in GDT. The project expert explained the difference between the old and the new tax law, and the significance of the newly introduced provisions such as self enforcement right.

2. Issues related with the Project implementation

- Both sides confirmed that the progress of the project is proceeding as planned.
- In case where activities such as trial based development of the tax collection manual and providing recommendation on improving internal operations are not finalized resulting from adoption time of revised tax laws, the GDT will become required to develop them on its own, facilitate and enhance their implementation.
- The GDT has currently been handling with the development of necessary software for Tax debt call center. As the failure of this system to be put into operation during the Project period will likely have downstream impact on scheduled activities of the Project in relation to enhancement of operations of the Center, the GDT itself would become supposed to undertake necessary measures to eliminate such risks.
- GDT has requested again to continue the JICA support through the Technical Cooperation Project to ensure implementation of the newly introduced tax system at the earliest timing possible.

ANNEX I. List of Participants

MINUTES OF MEETINGS BETWEEN
JAPAN INTERNATIONAL COOPERATION AGENCY
AND
THE GENERAL DEPARTMENT OF TAXATION OF MONGOLIA
AT
THE SEVENTH JOINT COORDINATING COMMITTEE MEETING
FOR
THE PROJECT FOR THE ENHANCING TAX COLLECTION OPERATION
AND INTERNATIONAL TAX ISSUES OF MONGOLIAN TAX
ADMINISTRATION Phase 2

The Joint Coordinating Committee (hereinafter referred to as “JCC”) was organized between the Japan International Cooperation Agency (hereinafter referred to as “JICA”) and the General Department of Taxation (hereinafter referred to as “GDT”) regarding the Project for the Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration Phase2 (hereinafter referred to as “the Project”).

JICA and GDT confirmed their mutual understanding and matters agreed to in the discussions attached hereto.

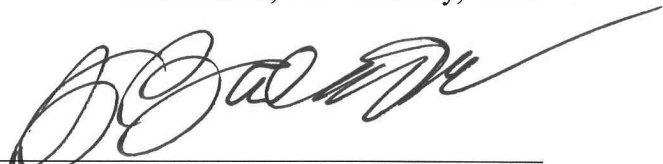
Ulaanbaatar, 22th January, 2020

田村 三子

Ms. Eriko Tamura
Chief Representative
JICA Mongolia Office
Japan International Cooperation Agency
Japan



Mr. Kenichiro Iwashita
Chief Expert/Team Leader
JICA Expert Team



Mr. B. Zayabal
Commissioner
General Department of Taxation
Mongolia



Mr. I. Batkhuu
Director General
Development Financing Department
Ministry of Finance
Mongolia

I. INTRODUCTION

The parties have constantly been overseeing the implementation of the Project against the Work plan discussed and approved by the 1st JCC meeting. 6th JCC meeting was held in December 2019 where the work performance of the Project in previous 3 years and Objectively verifiable indicators were evaluated.

This 7th JCC meeting expects to confirm the Draft Final report of the Project.

II. KEY ISSUES DISCUSSED IN RELATION TO THE PROJECT

1. Both side confirmed the Project outputs as follows:

1.1 Output 1

- Prepared training materials and curriculum for staff to be specialized in international taxation in May, August and November, 2018.
- The following domestic trainings were held:
 - The preparatory level training (2017.8.21 – 8.25, Attendees 30)
 - Intermediate training (2017.9.11 – 9.15, Attendees 38)
 - Special training (2017.11.27 – 12.1, Attendees 38), (2018.11.26 – 11.30, Attendees 33)
 - Advanced level training (2018.8.27 – 8.31), (2017.9.11 – 9.15, Attendees 38), (2018.8.27 – 8.31, Attendees 33), (2019.8.26 - 8.30, Attendees 30)
- The following training was held in Japan:
 - Tax Collection training: 2017.2 attended call center officials.
 - Advanced level training 2018.4.12 – 4.19 (Attendees 15)
 - Advanced level training 2019.1.28 – 2.5 (Attendees 14)
- Follow-up review of training participants was conducted in September 2018 and November 2019. The trainees were first asked to fill in the questionnaire related to training and then interviewed by the Project experts, through physical attendance at participants' work premises, as to how they utilize the knowledge and skills acquired during the training at their work.
- The peer review was conducted 2 times in a manner that demonstrating how they utilize their knowledge and skill acquired from the training. (Dec., 2018, Dec., 2019)

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1.2 Output 2

- The Project experts reviewed the draft General Law of Taxation and Corporate Income Tax Law, provided necessary recommendation and comments. New provisions regarding Source rules, Definition on permanent establishment, Transfer pricing methods and documentation, General anti-avoidance rule, Mutual agreement procedure, Exchange of information, Controlled foreign company taxation, Thin capitalization and Earning stripping rule is reflected the above written new tax law.
- Comprehensive documents compiling legislative acts of Japan and their supporting ordinances and circulars in relation to transfer pricing documentation were prepared. In particular, the comments were provided and made them reflected in draft regulations such as on General anti-avoidance rule, Transfer pricing and determining arm's length price, Permanent establishment, and on Exchange of information.
- Draft of the manual and materials to be used are being developed and advices to relevant staffs have been provided whenever possible. Translation of updated edition of the OECD Model Tax Convention on Income and on Capital 2017 was done in response to GDT request. The book so-called "Miscellany of legal provisions of Japan related to international taxation" and "Comprehensive guide of Japanese taxes" were prepared and published in 200 pieces, and distributed to all training participants. The book was also handed over to the Tax Administration and Cooperation Department of GDT and its library.

1.3 Output 3

- The Project team experts developed recommendations to the Draft of General tax law amendment related to self-enforcement right and other tax measures, which are necessary for tax collection strengthening together with a description of the grounds for incorporating the law and submitted to joint WG with the MOF. Twenty-one (21) meetings were organized with the working group to discuss the content of the draft law and the project was amended. New provisions such as Self-enforcement right of tax authority in tax collection, Priority of national taxes, Secondary obligation of tax payment, Granting grace period, Collection of risky taxes forehead were introduced to the General tax law.
- Organized monthly meetings with the working group to discuss on contents of draft General Law of Taxation, provided advice and incorporated amendments to the draft law. The Project experts developed new draft regulations and necessary forms to be

attached to such regulations. These include Regulations on Implementation of actions to recover tax arrears from persons with secondary obligation to pay taxes, Regulation on granting grace period for payment of tax arrears, Regulation on sealing and seizure of properties and assets and Regulation on organizing auctions and conversion into monetary forms through direct contracts.

- Developed an implementation plan for effective measurement on the Tax Debt Call Center and Provided the information needed to develop a technical assignment related to the development of the debt call system and consulting on the technical assignment project. Since establishment of the Tax Debt Call Center, 28,054.4 million MNT has been collected through the period from March 2016 to the end of October 2019. By handling small amount of delinquency at the center, the staff in charge can allocate time for cases of larger amounts.
 - 72 computers were handed over to the tax offices of Songinokhairkhan and Chingeltei districts for increasing internal administrative work efficiency.
 - Draft tax collection manual on delinquency arrangement was prepared by the Project experts and finalized by the counterparts based on the approved tax regulation.
2. The project will end as scheduled by R/D. However, JICA acknowledged the necessity of follow-up activities for the steady effectuation of amended tax law from January 2020. Therefore, based on the request from GDT, JICA decided to additionally dispatch the project team until the beginning of March 2020.

The main tasks of the experts during the above mentioned additional dispatching period are as follows:

International Taxation

- 1) Consider measures to qualitatively improve the training for core staff in charge of international taxation. Specifically, based on the training system conducted in the project, discuss with GDT about (1) implementation department, (2) implementation target, (3) implementation time, and (4) content.
- 2) Consider measures to increase the number of staff in charge of international taxation. Although the training of a wide range of human resources is the mission of the Training Center. During the extension period the Project will discuss with GDT



regarding the development of a specific curriculum of international taxation training and formulation of a system for selecting and recruiting human resources for core staff.

- 3) Consideration of the tax inspector's tax audit support measures. It is certain that inspectors will encounter more complex and sophisticated investigations during a tax audit under the new international taxation system, which will take effect on January 1, 2020. In order to cope with this situation, discuss with GDT what kind of support should be established for both the investigation method and judgement within GDT.
- 4) Grasp the situation after the enforcement of the tax law amendment.

Tax Collection

- 1) Advice on the Amended Tax Law and Enforcement Order (Ordinance of the Commissioner, GDT)
 - 2) Advice for finalization of the delinquency arrangement manual by GDT and Q & A on the utilization of the above written manual after its enforcement.
 - 3) Advice on training implementation and support as a trainer.
 - 4) Advice on improvement of the execution system and handling of issues under implementation of the new legal environment.
 - 5) Advice on coordination with related organizations.
 - 6) Grasp the status of integration of the delinquency notification work with the new system.
 - 7) Grasp the situation after the enforcement of the tax law amendment.
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3. The GDT reported on the implementation status of the amended law after its enforcement.
 4. GDT requested JICA for advice on measuring the effects of the revised tax law. The Project team has stated that advises will give on effect measurement as far as possible during the additional dispatching period.
 5. The JICA project team reported the summary of the Draft Final Report. GDT has agreed to consolidate the Project completion report (Final report) with such content.
 6. The JICA project team made the following recommendations, which should be implemented after the completion of the project:
 - 1) Common issues in international taxation and tax collection
 - Establish executing structure and determine its duties



- Develop human resources with practical skills available to respond to the new tax system
- Develop a sustainable internal training system
- Preparation of manuals and forms necessary for implementation of the new tax system
- Establish management system for handling issues during execution
- Promote public relation efforts through media, tax accountant association and other specialized government and non-government organizations regarding the new tax system and its implementation.

2) International Taxation

- Amendment of concluded inequality tax treaty
- Consideration on tax treaty between Japan and Mongolia
- Affiliation to multilateral treaties and systems
- Improve GDT and MOF officers' understanding of the latest theories of tax treaties
- Consideration on introduction of provision regarding the Advance Pricing Agreement (APA, an agreement between a taxpayer and a tax administration as to the transfer pricing methods that will be used to determine the arm's length price in transactions between the taxpayer and related parties) to the tax law.
- Formulation of international tax-related enforcement ordinances and tax calculation examples
- Case study on taxation in other countries
- Preparation of English test books on International taxation
- Preparation of manual for transfer pricing audit

3) Tax Collection

- Promote arrangement of individual delinquency cases (cases that are difficult to arrange)
- Coordinating proceedings with the Execution Court
- Improve the execution environment

ANNEX I

List of Participants

1. GDT:

Mr.B.Zayabal	Commissioner, General Department of Taxation
Mr.L.Nergui	Head, Public Administration and Management Department
Mr.Ts.Enkhjavkhlan	Head, Tax Administration and Cooperation Department
Mr.D.Tsogtjargal	Head, Revenue Department
Mr.D.Khurelchuluun	Head, Taxpayer Communication Department
Mr.Kh.Batbayar	Head, Information and Statistics Center
Ms.N.Byambaa	Head, State Budget Revenue and Audit Department

Secretary:

Mr.M.Khaliun	Officer, Tax Administration and Cooperation Department
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2. JICA:

Ms. Eriko Tamura	Chief Representative, JICA Mongolia Office
Ms.A.Saikhantuya	Representative, Governance Sector, JICA Mongolia Office
Ms.Ts.Buyanjargal	Program Officer, JICA Mongolia Office

3. Project Team:

Mr.Kenichiro Iwashita	Chief advisor/human resource development
Mr.Mitsuru Kosaka	Tax Collection (Legal environment)
Mr.B.Erdenebaatar	Local Consultant
Ms.S.Narmandakh	Project Coordinator