



## **ORDER OF THE HEAD OF THE GENERAL CUSTOMS DEPARTMENT**

December 4, 2019

No. A/282

Ulaanbaatar

### **APPROVAL OF PROCEDURE**

In article 8 of the authorized government agencies of 8.4, Section 79.7 of Article 79 of the Customs Law, 268 1 Article 268 in reading, 269 .1.1 1 1 Article 269 of 270 matches in .1.1, 1 1 Article 270 matches in .1.4, 271 1 1 of Article 271 .1.1, 271 1 1 a provision in .1.2, ordered on the basis of a decision by the Professional Council on December 12, 2019 03-day session:

1. To approve the “Procedure for implementing the free zone regime” in the appendix.

2. The Legal Department /S.Oyuntsetseg/ and the Customs Inspection Agency /P.Battur/ shall be obliged to advertise this regulation to the participants of the customs relations and monitor its implementation.

3. Instruct the Information Technology Center /B.Ganzorig/ to enter the newly approved customs clearance procedure code into the CAIS system classification database.

4. In connection with the issuance of this order, Order No. A / 43 of 2016 of the Director General of Customs and Taxation of Mongolia and Order No. A / 110 of 2018 of the Director General of Customs shall be considered invalid.

**DARGA B.ASRALT**

/Amended by the order A / 102 of 2020 of the General Directorate of Customs/

## **PROCEDURE FOR IMPLEMENTATION OF FREE ZONE PROCEDURES**

### **One. General rationale**

1.1. The Customs legislation of Mongolia, the Law on Free Zones, international agreements of Mongolia and this regulation shall apply to the implementation of the free zone regime (hereinafter referred to as the regime).

1.2. Relations related to the selection of the procedure, placement of goods in the procedure based on the required information and documents, and termination of the procedure shall be regulated by this procedure.

1.3. The procedure shall be chosen by the declarant and if the requirements of the procedure are met, the goods shall be placed in this procedure with the permission of the Customs.

1.4. As soon as a citizen or legal entity newly operating in a free zone receives a registration certificate, the Secretariat of the Governor of the Free Zone shall submit the business entity information to the Customs from time to time.

1.5. Goods of a business entity or organization registered in accordance with Article 8.7.6 of the Law on Free Zones shall be placed in this procedure.

1.6. "Processing in a free zone" shall be understood in accordance with Article 99.2 of the Customs Law.

Customs shall have the right to inspect goods in the free zone at any time.

1.8. In order to maintain the quality of goods imported into the free zone, necessary measures such as routine maintenance, change of packaging, grouping, sorting, packing, sectioning, grading and preparation for shipment may be taken.

### **Two. Product to be placed in mode, mode code**

2.1. The following goods shall be placed in the free zone regime:

2.1.1. Goods specified in Article 231.1 of the Customs Law;

2.1.2. Machinery, equipment, machinery, construction materials, raw materials and other inventory required for construction of buildings and infrastructure in the free zone from abroad and from the Customs territory;

2.1.3. Equipment to be used for storage and processing of goods within the free zone, chemical reaction stimulants and accelerators intended for industrial processing, consumer goods in the workplace of employees working in the free zone, store goods, fuel and food and water.

No restrictions shall be imposed on the importation of goods into a free zone from abroad on grounds other than those related to social security, ethics, morality, hygiene, health, human, animal and plant quarantine, trademarks, patents and copyrights.

2.3. Mongolian goods to be placed under the procedure shall be subject to non-tariff restrictions and foreign goods shall not be subject to non-tariff restrictions other than those prohibited to cross the border of Mongolia.

2.4. Customs clearance shall be performed by the following code:

№	The value of the mode	Clearance mode code	Previous clearance mode code
1	Inclusion of foreign goods in the free zone		
	Import of foreign goods	770	not required
	Import of processed goods into the customs territory	771	551-554
2	Inclusion of Mongolian goods in the free zone		
	Import of Mongolian goods	772	100,101,120,141-144,150
	Import of Mongolian goods from the customs territory	773	not required
3	Import of goods from the customs bonded zone to the free zone		
	Import of goods from a bonded warehouse	774	700,703,705,706,707,709.
	Import of goods from the customs certified exhibition center	775	720,722, 724
	Import of goods from a customs certified factory	776	710,712,713,715.
4	Enter from free zone to free zone	777	770-776, 778

5	Inclusion in the zone free from other customs controls	778	not required
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2.5. Customs clearance shall be carried out according to codes 770, 771, 774-776 and 778 of the Customs clearance procedure for entry of foreign goods into the free zone.

2.6. Goods imported into a free zone or produced there in whole or in part in another free zone shall be subject to Customs clearance under Code 777 of the Customs Clearance Procedure.

### Third. Customs clearance

3.1. Simplified customs clearance shall be carried out in accordance with Article 30.2 of the Customs Law when goods are imported into the free zone from the Customs bonded warehouse, certified exhibition center or certified enterprise without exporting through the Customs territory, and exported from the free zone without passing through the Customs territory.

3.2. When declaring the goods to the Customs in accordance with this procedure, a transport document, foreign trade agreement or price invoice, certificate of a legal entity operating in the free zone and registration certificate of the free zone shall be issued.

3.3. The documents specified in paragraph 60.3 of Article 60 of the Customs Law shall be submitted for customs clearance of Mongolian goods to be placed under the procedure.

3.4. The declarant may submit the documents specified in sections 3.2 and 3.3 to the Customs through e-mail, fax and Customs information network.

3.5. If the information and documents specified in paragraphs 3.2 and 3.3 of this Regulation do not meet the requirements of the procedure, the Customs may request additional information and documents.

3.6. The list of goods and materials to be imported and processed in the free zone shall be submitted in advance to the Customs.

3.7. The list of foreign trade agreements, goods and materials shall be registered and monitored by the Chief State Customs Inspector in charge of the Free Zone.

The declarant shall provide the Customs with information related to the processing of goods in the free zone. For example, the name of the product to be processed, the serial number, the calculation of material content, the amount of waste, the sample of the product resulting from processing, photos, diagrams, trade and technical documents, if necessary, the conclusion of a professional organization, Provides product information, diagrams, and photographs.

3.9. The foreign trade agreement shall specify in detail the method, stages, terms and processing activities of the goods.

3.10. If foreign goods are supplied with Mongolian goods for production and Mongolian goods are used for production of other products, the norms of material content shall be set.

3.11. The state customs inspector in charge of material accounting shall review the invoices of goods used for processing and certify them before customs clearance.

3.12. Customs clearance shall be performed in accordance with the relevant procedures based on the calculation of the certified materials.

3.13. Customs value of taxable goods imported into the free zone for domestic consumption shall be determined based on the ingredients of the materials specified in 3.10 of this Regulation and the following prices, costs and expenses: 3.13.

3.13.1. The price of imported raw materials, components, parts and similar items that are a component of the goods;

3.13.2. The price of chemical reagents, energy, gasoline, oil and lubricants used in the production of the goods;

3.13.3. The cost of engineering and remodeling solutions, craftsmanship and design work, general schematics and technical drawings required for the processing of the goods and performed abroad.

3.14. The calculation of prices, costs and expenses specified in 3.13.1-3.13.3 of this Regulation shall be based on the Customs value determined by the declaration of goods placed in the free zone (procedure code-770).

3.15. When allocating the cost specified in 3.13.3 of this regulation, if the number of goods to be processed is strictly determined by the contract, the relevant cost shall be calculated as the total expected quantity to be processed, and if it is not possible to determine the number of processed goods.

3.16. The State Customs Inspector in charge of documentation shall check whether the declarant has determined the Customs value accurately and objectively based on the calculation of product input norms and the price determined by the Customs declaration placed in the procedure of importing goods into the free zone.

3.17. Customs clearance of wastes and residues generated during the processing of goods to be processed in the free zone shall be carried out in accordance with the Customs clearance procedure selected by the declarant.

3.18. The State Customs Inspector in charge of inspection shall receive the information on the goods to be placed in accordance with the procedure through the Customs automated system, verify the documents, perform "verification" and send the information electronically to the Chief Customs Inspector electronically. The customs declaration shall become effective upon the senior state customs inspector in charge of control and inspection performs the "Approve" action.

3.19. If the declarant submits a request, the Customs declaration shall be printed and the State Customs Inspector shall affix the "Under Customs Control"

mark to the document, the State Customs Inspector shall sign and affix the personal identification mark.

3.20 . Customs clearance may be carried out by transferring ownership rights to goods imported into the free zone into the Customs territory .

#### Four. Procedure requirements

4.1. The activities of importing, exporting and processing goods in the free zone shall be under Customs control.

4.2. Entrance and exit doors of the free zone, buildings and facilities within the zone shall be equipped with a reliable alarm system, permanent lighting and guarded by a telecontrol system.

4.3. The free zone governor's office shall provide normal conditions for the Customs to operate in accordance with Article 285.2 of the Customs Law.

4.4. Citizens, business entities and organizations operating in the free zone shall meet the following requirements:

4.4.1. The buildings and facilities intended to operate in the free zone shall be closed, the goods shall be kept intact and it shall be possible to keep records;

4.4.2. A legal entity engaged in the sale and service of goods and services in a free zone shall be connected to the Customs through an integrated online customs network and the GS1 system shall be introduced for the registration of goods;

4.4.3. Citizens, business entities and organizations operating in the free zone shall create conditions for Customs control of the Customs, equip workplaces, control areas, entrance and exit doors of the free zone, buildings and structures within the zone with reliable alarm systems and permanent lighting. to have security guards with control systems;

4.4.4. Business entities and organizations operating in the free zone shall connect to the Customs in the unified online Customs network;

4.4.5. Business entities and organizations operating in a free zone shall place surveillance cameras in a place where all goods, works and services are visible and in quantities appropriate to the Customs control requirements. To make camera recordings at a level sufficient to be used for customs control purposes, to store them for the period specified in the general inspection procedures, and to issue them within the time period required by the customs;

4.4.6. In connection with the construction of premises, squares, fences, roads, communications, electricity, water supply and sewerage networks in the free zone, business entities and organizations shall import machinery, equipment, machinery and construction materials to the free zone from abroad. , submit a list of raw materials and other inventory to the customs authority in charge in advance;

4.4.7. The declarant shall be responsible for the integrity of the goods imported into the free zone and shall keep the inventory of the goods in accordance with the electronic form and submit the expenditure information together with relevant evidence to the Customs on a quarterly basis;

4.4.8. To process and store news reports and documents as archival units in accordance with relevant legislation.

Five. Guarantee to follow the customs clearance procedure

“5.1. The imposition of customs and other taxes, exemptions and discounts on goods imported and exported into a free zone shall be decided based on the provisions of Articles 10.2 and 16.1-16.3 of the Law on Free Zones as follows:

5.1.1. In addition to Article 38.1.4 of the Law on Customs Tariffs and Duties, the Government Resolution No. 105 of 2020 approved a “List of goods valued at up to MNT 3.0 million purchased by a passenger exempt from customs and value-added tax when entering the customs territory from a free zone”. Exemption of customs goods and value-added tax from the entry of goods referred to in

5.1.2 No restrictions shall be imposed on the types and quantities of goods entering the customs territory from the free zone more than once a day. The difference in value shall be imposed if the value of the goods purchased exceeds 3.0 million MNT. customs and value-added taxes shall be imposed and collected.

5.1.3 If the frequency of purchases of passengers creates tax evasion conditions or enters the free zone more than once a day and purchases goods specified in 5.1.1 of this Regulation, customs and value-added tax shall be imposed on the total value of goods.

5.1.4 The goods specified in 5.1.1 of this Regulation shall not include goods subject to excise tax, drugs, medical devices and biologically active products.

5.1.5. In addition to the provisions of Article 5.1.1 of this Regulation, the goods specified in Article 2.3.1 of the “Regulations on the Importation of Personal Consumer Goods of Passengers” approved by Order A / 223 of the Director General of the General Customs Administration in 2019 shall be removed from the passenger free zone no more than once a day. without any other taxes.

5.1.6. Goods requiring special storage conditions shall be transported and stored in a designated vehicle for entry into the free zone.

5.1.7. In accordance with Article 11.1 of the Food Law, a legal entity registered in a free zone may bring a passenger into the customs territory from the food products imported into the free zone within the price of the goods specified in 5.1.1 of this regulation. ”

/ Added by the order A / 102 of 2020 of the General Directorate of Customs  
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5.2. Customs and other related taxes shall be imposed on confiscated goods and placed in the state budget in the following cases:

5.2.1. Lost or destroyed from the free zone for reasons other than force majeure;

5.2.2. Disposed of without the permission of the customs.

5.3. In case specified in 5.2 of this Regulation, import customs duty shall be levied and confiscated based on the exchange rate of the Bank of Mongolia on the

day of detection of the violation at the normal tariff in force and collected and paid to the state budget.

5.4. The Customs value of goods processed in the free zone and imported for domestic consumption shall be determined in accordance with Article 3.13 of this Regulation and Customs duties and other taxes shall be imposed on the state budget.

5.5. Customs and other taxes shall be imposed, confiscated and deposited in a special treasury account in accordance with Article 102.1 of the Customs Law when goods imported into the free zone from abroad are imported from the free zone for processing in the Customs territory.

#### Six. End of mode

6.1. The procedure shall be terminated by placing the goods in another mode or by dissolving the free zone.

6.2. In case of deregistration to operate in a free zone in accordance with Article 8.7.6 of the Law on Free Zones, the remaining goods shall be counted and stored under the customs control in the premises and warehouse of the deregistered business entity for up to 3 months.

6.3. It shall be placed in the relevant Customs clearance procedure within the period specified in 6.2 of this Regulation.

6.4. Failure to place in the relevant Customs clearance procedure within the period specified in 6.2 of this Regulation shall be resolved in accordance with Article 298 of the Customs Law.