

A G R E E M E N T
BETWEEN THE GOVERNMENT OF MONGOLIA AND THE GOVERNMENT
OF THE REPUBLIC OF THE RUSSIAN FEDERATION FOR THE AVOIDANCE
OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND ON
CAPITAL

The Government of Mongolia and the Government of the Russian Federation, desiring to conclude an Agreement for the avoidance of double taxation with respect to taxes on income and capital and with a view to promote economic cooperation between the two countries, have agreed as follows:

ARTICLE 1

Scope of the Agreement

This Agreement shall apply to persons who, in respect of taxation, are residents of one or both of the Contracting States.

ARTICLE 2

Taxes Covered

1. This Agreement shall apply to taxes on income and on capital imposed on behalf of a Contracting States, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property.
3. The existing taxes to which the Convention shall apply are:
 - in the case of Mongolia:
 - 1/ the individual income tax;
 - 2/ the corporate income tax(Hereinafter referred to as “Mongolian tax”);
 - in the case of the Russian Federation- the taxes on income and profits imposed in accordance with the following laws of the Russian Federation:
 - 1/ “On the taxes on profits of enterprises and organizations”;
 - 2/ “On the income tax on individuals”(Hereinafter referred to as “Russian Tax”);
4. This Agreement shall apply also to any identical or substantially similar taxes on income and on capital which are imposed after the date of signature of this Agreement in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of any substantial changes which have been made in their respective laws within a reasonable period of time after such changes.

ARTICLE 3

General Definitions

1. For the purposes of this Agreement, unless the context otherwise requires:
 - a) The terms “a Contracting State” and “the other Contracting State” mean Mongolia or the Russian Federation as the context requires;
 - b)

- the term “Mongolia” when used in geographical sense means all the territory of Mongolia, including air space above it, the area which the tax law of the Contracting State concerned in force, insofar as the State concerned exercises there in conformity with international law sovereign rights to exploit its natural resources;
 - the term “the Russian Federation”, when used in geographical sense, means its territory, including internal waters and territorial sea, air space above them as well as economic zone and continental shelf where this State exercises sovereign rights or rights and Jurisdiction in conformity with international law and where its tax laws are effective;
 - c) the term “person” means an individual, a company and any other body of persons;
 - d) the term “company” means any body corporate or any entity which is treated as a body corporate for tax purposes;
 - e) the term “enterprise of a Contracting State” and “enterprise of the other Contracting State” mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
 - f) the term “nationals” means any individual possessing the citizenship of a Contracting State and all legal persons created under the laws of that Contracting State, as well as, organizations without legal personality treated for tax purposes as legal persons;
 - g) the term “international traffic” means any transport by ship, aircraft, road or railway vehicle operated by an enterprise of a Contracting States, except when the ship, aircraft, road or railway vehicle is operated solely between Places in the other Contracting State;
 - h) the term “competent authority” means:
 - in the case of Mongolia- the Minister of Finance or his authorized representative;
 - in the case of the Russian Federation- the Ministry of Finance or its authorized representative.
2. As regards the application of this Agreement by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State concerning the taxes to which this Agreement applies.

ARTICLE 4

Resident

1. For the purposes of this Agreement, the term “resident of a Contracting State” means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of registration as legal entity or any other criterion of a similar nature.
2. Where by reason of the provisions of paragraph 1, an individual is a resident of both Contracting States, then his status shall be determined as follows:
 - a) he shall be deemed to be a resident of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident of the State with which his personal and economic relations are closer (center of vital interests);
 - b) if the State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either state, he shall be deemed to be a resident of the state in which he has an habitual abode;
 - c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident of the State of which he is a national;
 - d) if he is national of both States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. Where by reason of the provisions of paragraph 1, a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the State in which its place of registration of its head office is situated.

ARTICLE 5

Permanent Establishment

1. For the purposes of this Agreement, the term “permanent establishment” means a fixed place of activities through which an enterprise of a Contracting State wholly or partly carries out any business in the other Contracting State.
2. The term “permanent establishment” includes especially:
 - a) a place of management;
 - b) a branch;
 - c) an office;
 - d) a factory;
 - e) a workshop;
 - f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources;
 - g) a building site or construction, assembly or installation project or supervisory activities, in connection there with, constitute a Permanent establishment but only if such site, project or activities lasts more than 24 months.
3. Notwithstanding the preceding provisions of this Article the term “permanent establishment” shall be deemed not to include:
 - a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
 - b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
 - c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
 - d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information for the enterprise;
 - e) the maintenance of a fixed place of business solely for the purpose of carrying on for the enterprise any other activity of a preparatory or auxiliary character;
 - f) the maintenance of a fixed place of business solely for any combination activities mentioned in subparagraphs a) to e), provided that the overall activity of the fixed place of business resulting from this combination is of preparatory or auxiliary character.
4. Notwithstanding the provisions of paragraphs 1 and 2 where a person - other than an agent of independent status to whom the provisions of paragraph 5 apply - is acting on behalf of an enterprise and has and habitually exercises in the Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that Contracting State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 3 which, if exercised through a fixed place of business would not make this fixed place of business a permanent establishment under the provisions of that paragraph. .
5. An enterprise of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other State

through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business. However, when the activities of such an agent are devoted wholly or almost wholly on behalf of that enterprise, he will not be considered an agent of an independent status within the meaning of this paragraph.

6. The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

ARTICLE 6

Income from Immovable Property

1. Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other Contracting State.
2. The term “immovable property” shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry or fishing places of every kind, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work mineral deposits, sources and other natural resources. Ships, aircrafts, road and railway vehicles shall not be regarded as immovable property.
3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.
4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise and to income from immovable property used for performance of independent personal services.

ARTICLE 7

Business Profits

1. The profits derived in a Contracting States by an enterprise of the other Contracting State may be taxed in the first-mentioned State only if it is derived through a permanent establishment situated therein and only so much of them as are attributable to the activity of such permanent establishment.
2. Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the Profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.
3. In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the business of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.
4. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.
5. Where profits include items of income which are dealt with separately in other Articles of

this Agreement, then the provisions of those Articles shall not be affected by the provisions of this Article.

ARTICLE 8

Shipping, air, road and railway transport

1. Profits of an enterprise of a Contracting State derived from the other Contracting State from the operation of ships, aircraft or road and railway vehicle in international traffic shall be taxable only in the Contracting State in which a place of registration of head-office of this enterprise is situated.
2. For the purpose of this Agreement, profits (or income) from international traffic shall include profits (or income) from the direct use, profits (or income) from the lease or use in any other form of means of transportation, mentioned in paragraph 1 of this Article, including profits (or income) from the use, maintenance and lease of containers and other related equipment.
3. If the place of effective management of a shipping enterprise is aboard a ship, then it shall be deemed to be situated in the Contracting State in which the home harbor of the ship is situated, or, if there is no such home harbor, in the Contracting State of which the operator of the ship is a resident.
4. The provisions of paragraph 1 and 2 shall also apply to income from the participation in a pool, a joint business, or an international operating agency.

ARTICLE 9

Possible adjustments to income

1. Where:
 - a) an enterprise of Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or
 - b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.
2. Where a Contracting State includes in the profits of an enterprise of that State- and taxes accordingly- profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are by the first-mentioned State claimed to be profits which would have accrued to that enterprise of the first-mentioned State if the conditions made between the two enterprises have been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits, where that other State considers the adjustment justified. In determining such adjustments due regard shall be had to the other provisions of this Agreement and the competent authorities of the Contracting States shall, if necessary, consult each other.

ARTICLE 10

Dividends

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.
2. However, such dividends may also be taxed in the Contracting State of which the company

paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed 10 per cent of the gross amount of the dividends.

3. The term “dividends” as used in this Article means income from shares, or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident.
4. The provisions of paragraph 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on or carried on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment, or performs independent personal services from a fixed base situated therein and the dividends are attributable to such permanent establishment or fixed base. In such case the provisions of Articles 7 or 14 of this Agreement, as the case may be, shall apply.

ARTICLE 11

Interest

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.
2. However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is the beneficial owner of interest, the tax so charged shall not exceed 10 percent of the gross amount, of the interest.
3. Notwithstanding the provisions of paragraph 2, interest arising in:
 - Mongolia and paid to the Government of the Russian Federation or to the Central Bank of the Russian Federation or to the Foreign Trade Bank of the Russian Federation shall be exempted from the Mongolian Tax;
 - the Russian Federation and paid to the Government of Mongolia or to the Central Bank of Mongolia (Mongol Bank) or to the Trade and Development Bank of Mongolia shall be exempt from the Russian Tax.
4. The term “interest” as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor’s profits, and in particular, income from government securities and income from bonds and debentures, including premiums and prizes attaching to such securities, bonds or debentures.
5. The provisions of paragraphs 1 and 2 and 3 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on or carried on business in the other Contracting State in which the interest arises, through a permanent establishment or performs independent personal services from a fixed base situated therein, and the debt-claim respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions Article 7 or Article 14 of this Agreement, as the case may be, shall apply.
6. Interest shall be deemed to arise in a Contracting State when the payer is the Government of that State, a local authority or a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

7. Where by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Agreement.

ARTICLE 12

Royalties

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.
2. However, such royalties may also be taxed in the Contracting State in which they arise and according to the laws of that State.
3. The term “royalties” as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films and films or tapes used for radio or television broadcasting, any patent, know-how, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.
4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services through a fixed base situated therein and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Articles 7 and 14, as the case may be shall apply.
5. Royalties shall be deemed to arise in a Contracting State when the payer is the Government of that State, a local authority or a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.
6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties paid, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Agreement.

ARTICLE 13

Capital Gains

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 and situated in the other Contracting State may be taxed in that other State.
2. Gains derived from the alienation of movable property forming part of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State,

or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment or of such a fixed base, may be taxed in that other State.

3. The term “movable property” means property which is recognized as such by the legislation of the Contracting State where such property is located.
4. Gains derived by a resident of a Contracting State from the alienation of ships, aircraft, road and railway vehicles operated in international traffic or movable property pertaining to the operation of such ships, aircraft, road and railway vehicles shall be taxable only in the Contracting State of which the alienator is a resident.
5. Gains derived from the alienation of any property such as shares in a company or securities, bonds, debentures and alike shall be taxable only in the Contracting State of which the alienator is a resident.

ARTICLE 14

Independent Personal Services

1. Income derived by an individual who is a resident of a Contracting State from the performance of professional services or other activities of an independent character shall be taxable only in that State, unless such services are performed or were performed in the other Contracting State and the income attributable to a fixed base which the individual has or had regularly available to him in that other State.
2. The term “professional services” includes especially independent scientific, literary, artistic, educational or teaching activities, as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

ARTICLE 15

Dependent Personal Services

1. Subject to the provisions of Articles 16, 18 and 19, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that Contracting State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other Contracting State.
2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other State shall be taxable only in the first- mentioned State, if:
 - a) the recipient is present in the other Contracting State for a period or periods not exceeding in the aggregate 183 days in the calendar year concerned; and
 - b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other Contracting State; and
 - c) the remuneration is not borne by a permanent establishment or fixed base which the employer has in the other State.
3. Notwithstanding the provisions of the paragraphs 1 and 2, salaries and other remuneration derived by the resident of a Contracting State for work carried out in the other Contracting State are not taxed in that other State if it is performed by persons:
 - a) in respect of an employment exercised abroad on a ship, aircraft or road and railway vehicle operated in international traffic by an enterprise of a Contracting State in which the place of registration of head-office of this enterprise is situated;

- b) in respect of remuneration derived as a journalist or a correspondent provided that such payment is made from sources of the State in which he is a resident for a period of five years from the date of his arrival to the other Contracting State.

ARTICLE 16

Directors' fees

Directors' fees and other similar payments derived by a resident of a Contracting State in his capacity as a member of the Board of Directors of a company which is a resident of the other Contracting State may be taxed in that other State.

ARTICLE 17

Entertainers and sportsman

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio, or television artist, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.
2. Where income in respect of personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.
3. Notwithstanding the provisions of paragraphs 1 and 2 income derived by entertainers or sportsman who are residents of a Contracting State shall be exempt from tax in the other Contracting State if the visit to that State is supported by the Government of the other State, administrative-territorial subdivision or a local authority thereof.

ARTICLE 18

Pensions

Subject to the provisions of paragraph 2 of Article 19, pensions and other similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxable only in that Contracting State.

ARTICLE 19

Government services

1. a) Remuneration, other than a pension, paid by a Government Contracting State, administrative territorial subdivision or local authority thereof to any individual in respect of services rendered to Government of that State, administrative-territorial subdivision or local authorities thereof shall be taxable only in that State;
b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered i that other Contracting State and the recipient is a resident of that State who:
 - 1/ is a national of that other state not being a national of the first-mentioned state; or
 - 2/ not being a national of the first-mentioned State did not become a resident of that State solely for the purpose of rendering the services.
2. a) Any pension paid by, or out of funds to which contributions are made by the Government of a Contracting staff administrative-territorial subdivision or local authority thereof to an individual in respect of services rendered to the Government of that State, administrative-territorial subdivision or local authority shall be taxable only in that State;
b) However, such pension shall be taxable only in the other Contracting State if the

individual is a resident and a national of that other State.

3. The provisions of paragraph 1 and Z of this Article shall be not apply and the provisions of Articles 15, 16, IT and is shall apply to remuneration and pensions paid by a Contracting State, administrative-territorial subdivision or local authority thereof if such remuneration or pensions are paid in respect of services rendered in connection with any business activities carried on in the other Contracting State.

ARTICLE 20

Teachers and Researcher

An individual who is or immediately before visiting a Contracting State was a resident of the other Contracting State and is present in the first-mentioned Contracting State for the primary purpose of teaching, giving lectures or conducting research at a university, college, school or other educational institutions or scientific research institutions on an official invitation of above indicated organizations shall be exempt from tax in the first-mentioned Contracting State for a period of three years from the date of his first arrival in the first-mentioned Contracting State, in respect of remuneration for such teaching, lectures or research.

ARTICLE 21

Students and Business Apprentice

A student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other State and who is present in the first-mentioned State solely for the purpose of his education, training shall not be taxed in that first-mentioned State on the following payments or income received or derived by him for the purpose of his maintenance, education or training:

- a) payments derived from sources outside that Contracting State;
- b) scholarships or awards supplied by the Government, scientific, educational, cultural or other non-profit organization of a Contracting State.

ARTICLE 22

Other Income

1. Items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing Articles of this Agreement shall be taxable only in that Contracting State.
2. The provisions of paragraph 1 shall not apply to income other than income from immovable property as defined in paragraph 2 of Article 6, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right and Property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

ARTICLE 23

Taxation of Capital

1. Capital represented by immovable property, as defined in Article 6, owned by a resident of a Contracting State may be taxed in the Contracting State in which such property is situated.
2. Capital represented by movable property forming part of the business property of a permanent establishment which an enter prize of a Contracting State has in the other Contracting State or by movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, may be taxed in that other State.

3. Capital represented by ships, aircraft, road and railway vehicles operated in international traffic or by movable property pertaining to the operations of such means of transport shall be taxable only in the Contracting State, where a possessor of this capital is a resident.
4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State in which the capital is located.

ARTICLE 24

Elimination of Double Taxation

- In Mongolia double taxation shall be eliminated as follows:
 - a) Where a resident of Mongolia derives from the Russian Federation, the amount of tax that is payable in the Russian Federation in accordance with the provisions of this Agreement may be credited against the Mongolian tax imposed on that resident. The amount of credit, however, shall not exceed the amount of the Mongolian tax on that income computed in accordance with taxation laws and regulations of Mongolia;
 - b) The profits of non-resident of a Contracting State derived from the other Contracting State, shall not be attributed to taxation in a first-mentioned Contracting State;
 - c) Notwithstanding the provisions of sub-paragraph a) if one of the Contracting States exempts its residents with respect to income derived from other Contracting State in form of dividends, interests and royalties from taxation in accordance with its national tax legislation, the other Contracting State in its turn also exempts this income from taxation in accordance with its national legislation. This provision in any case shall prevail over the provisions of paragraph 2 of Article 10, paragraph 2 of Article 11 and Article 12;
- In the Russian Federation double taxation shall be eliminated as follows:
 - a) Where a resident of the Russian Federation derives income from Mongolia, the amount of tax that is payable in Mongolia in accordance with the provisions of this Agreement, may be credited against the tax levied in the Russian Federation. The amount of credit, however, shall not exceed the amount of the Russian tax on that income computed in accordance with the taxation laws and regulations of the Russian Federation;
 - b) The profits of non-resident of a Contracting State derived from the other Contracting State, shall not be attributed to taxation in a first-mentioned Contracting State;
 - c) Notwithstanding the provisions of sub-paragraph a) if one of the Contracting States exempts its residents with respect to income derived from other Contracting State in form of dividends, interests and royalties from taxation in accordance with its national tax legislation, the other Contracting State in its turn also exempts this income from taxation in accordance with its national legislation. This provision in any case shall prevail over the provisions of paragraph 2 of Article 10, paragraph 2 of Article 11 and of Article 12.

ARTICLE 25

Non-Discrimination

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances are or may be subjected. This provision shall notwithstanding the provisions of Article 1 also apply to persons who are not residents of one or both of the Contracting States.
2. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on the enterprises of that other State carrying on the same activities. This provision shall not be construed as obliging a Contracting State to grant to residents of the

other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

3. Except where the provisions of paragraph 1 of Article 9, paragraph 6 of Article 11, or paragraph 6 of Article 12 apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they have been paid to a resident if the first- mentioned State are or may be subjected.
4. Enterprise of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the Contracting State, shall not be subjected in the first- mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first- mentioned State are or may be subjected.
5. The provisions of this Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description.

ARTICLE 26

Mutual Agreement Procedure

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Agreement, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph 1 of Article 25, to that of the Contracting State of which he is a national. The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Agreement.
2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with the provisions of this Agreement.
3. The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Agreement. They may also consult together for the elimination of double taxation in cases not provided for in this Agreement.
4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs. When it seems advisable for reaching agreement, representatives of the competent authorities of the Contracting States may meet together for an oral exchange of options.

ARTICLE 27

Exchange of information

1. The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Agreement or of the domestic laws of the Contracting States concerning taxes covered by the Agreement insofar as the taxation thereunder is not contrary to the Agreement. Any information received by a Contracting State shall be treated as confidential in the same manner as information obtained under the domestic laws of that state and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Agreement. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

2. In no case shall the provisions of paragraph 1 be construed so as to impose on a Contracting State the obligation:
 - a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;
 - b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;
 - c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process or information, the disclosure of which would be contrary to public policy (public order).

ARTICLE 28

Employees of Diplomatic and Consular Establishment

Nothing in this Agreement shall affect the fiscal privileges of the employees of diplomatic and consular establishments under the general rules of international law or under the provisions of special agreements.

ARTICLE 29

Entry into Force

1. This Agreement shall be subject to ratification in each Contracting State.
2. This Agreement shall enter into force on the date of exchange of instruments of ratification and its provisions shall have effect:
 - a) in respect of tax withheld at source, for amount paid or credited on or after the first day of January in the calendar year, following the year in which the Agreement enters into force;
 - b) in respect of other income taxes, for taxable period beginning on or after the first day of January in the calendar year, following the year in which the Agreement enters into force.
3. Since the entry into effect of this Agreement, the application of the Multilateral Convention for the avoidance of double taxation with respect to income and capital of individuals signed in Minsk on 27 May 1977 and the Multilateral Convention for the avoidance of double taxation with respect to income and capital of legal persons signed in Ulan-Bator on May 1978 shall, in relations between Mongolia and the Russian Federation, cease to have effect.
4. If any tax provision of an Agreement signed or concluded between the Contracting States is more favourable for taxpayer than the similar tax provision which this Agreement contains, the provision which is more favourable may apply.

ARTICLE 30

Termination

The Agreement shall remain in force indefinitely, but either of the Contracting State may on or before thirtieth day of June in any calendar year from the fifth year following that in which the instruments of ratification have been exchanged, give written notice of termination to the other Contracting State through diplomatic channels. In such event this Agreement shall cease to have effect:

- a) in respect of tax withheld at source, for amount paid or credited on or after the first day of January in the calendar year next following that in which the notice is given; and
- b) in respect of other income taxes, for taxable Period beginning on or after the first day of January in the calendar year next that in which the notice is given.

DONE in duplicate, 05 day of April 1995 in Moscow each in Mongolian, Russian and English languages, all three texts being equally authentic. In case of divergence between the texts, the English text shall be the operative one.

**FOR THE GOVERNMENT
OF MONGOLIA**

**FOR THE GOVERNMENT OF THE
RUSSIAN FEDERATION**