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## CCAMTAC - Regional Research Seminar Series

### “REVENUE IMPACTS OF A TAX REFORM PROPOSAL: PARAMETRIC ESTIMATION APPROACH”

May 29, 2026

#### Moderation:

**Mr. Kassymzhomart Assangazyev**, Economic Analyst, CCAMTAC

#### Presenters:

**Mr. Ninjbat Uuganbaatar**, Member, Fiscal Stability Council

#### Intervention:

**Mr. Torsten Cumberland Jacobsen**, Regional Revenue Administration Advisor, CCAMTAC

CCAMTAC hosted a virtual research seminar in which Mr. Ninjbat Uuganbaatar presented a paper assessing the fiscal and distributional implications of Mongolia's 2025 comprehensive tax reform bill. Using parametric income distribution modeling applied to publicly accessible household survey and administrative data, the paper simulates revenue outcomes under proposed changes to the personal income tax (PIT), corporate income tax (CIT), and value-added tax (VAT).

The paper models tax revenue as an integral over the tax schedule and the estimated density of the tax base, assuming the tax base distribution is unchanged across reform scenarios. Parametric distributions were fitted to grouped household income and spending survey data (NSO) and administrative corporate income data (Ministry of Finance), with lognormal emerging as the best fit for PIT and CIT bases and Weibull for the VAT spending base, selected by AIC/BIC criteria. The CIT required a mixture model given the extreme skewness of Mongolia's firm-size distribution, combining a uniform fit for ~55,000 micro-enterprises, a lognormal fit for ~21,000 SMEs, and direct data points for 273 large enterprises.

The proposed PIT reform introduces a zero-rate bracket for monthly income below MNT 500,000, leaving higher brackets unchanged. Simulating 811,000 taxpayers, the estimated revenue loss is MNT 722 billion, or 19.0 percent, with the average effective rate falling from 15.0 to 10.0 percent. Distributional gains are modest but meaningful: the Gini coefficient falls from 0.418 to 0.405 and the Theil index by 5.9 percent. The proposed CIT reform raises the flat-rate threshold from MNT 1.5 to 2.5 billion and introduces a new 15 percent intermediate bracket between MNT 6 and 10 billion, reducing revenue by MNT 343 billion or 8.1 percent, with the burden remaining highly concentrated — 273 large enterprises contribute nearly 90 percent of CIT. The most significant finding concerns the VAT: the proposed shift from a flat 20 percent



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rebate to a progressive return structure (100/50/20 percent by spending bracket) leaves the 10 percent rate unchanged but reduces net VAT revenue by 69.2 percent, an annual cost of approximately MNT 1.1 trillion, with essentially zero improvement in consumption inequality across all standard measures. Across all three instruments, the combined reform reduces total tax revenue by approximately 10 percent of 2025 collections, while producing only limited redistributive benefit.

Mr. Jacobsen offered reflections from a tax administration perspective, emphasizing that the fiscal cost of reform extends well beyond revenue. He highlighted the burden of IT system updates, data integration, and staff retraining that complex legislation imposes on administrations, and noted that reform instability, including measures passed and then reversed, erodes taxpayer trust and suppresses voluntary compliance for years. He commended the paper's clarity and noted its conclusions were consistent with his own assessment of the Mongolian situation.

Discussion covered the political economy of the reform, the fiscal sustainability risk of simultaneous revenue reduction and expenditure expansion, and Mongolia's procyclical fiscal stance driven by commodity price cycles. The presenter noted that the Fiscal Stability Council was established partly to address this dynamic, and that the VAT reform, passed in November 2025 for 2027 implementation, had since prompted a government bill for repeal, in part due to analysis presented through the Council.