

## **BHUTAN WHOLESALE TRADE REGULATION, 2006**

The Bhutan Wholesale Trade Regulation, 2006 is a part of the reform process toward creation of a stable and predictable policy environment in the Trading sector. The Regulation aims to provide a simple licensing system and to facilitate setting up of wholesale business. The policy is envisaged to promote quality of products, competitive price and ensure a broad supply base for goods throughout the country.

### **1. TITLE, COVERAGE & COMMENCEMENT**

1.1 This Regulation shall be called Bhutan Wholesale Trade Regulation, 2006.

1.2 This Regulation shall extend to the whole kingdom of Bhutan.

1.3 This Regulation shall come into force with effect from April 1, 2006.

### **2. DEFINITIONS**

In this Regulation made hereunder, unless the context otherwise requires:

2.1 Wholesaler:

Shall mean authorized representative of a Manufacturer/Principal Company to distribute their products to the retailers.

2.2 Retailer:

Shall mean those traders who sell goods directly to the consumers.

2.3 Showroom: Shall mean an establishment where products are displayed for sale or promotion purposes.

2.4 Goods:

Shall mean both goods and products and shall be inter-changeable in its usage.

2.5 Ministry:

Shall mean the Ministry of Trade and Industry

2.6 Minister:

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2.7 Principal Company:

Shall mean any domestic or foreign manufacturer who supplies their goods and services to wholesalers in the country.

### 2.8 Rules/Regulations:

Shall mean all such Rules/Regulations made under an Act or otherwise that may be relevant to be applied to trading activities.

## **3. ELIGIBILITY**

- 3.1 All Bhutanese citizens having attained the age of 18 years shall be eligible to engage in wholesale business.
- 3.2 A company incorporated under the provisions of the Companies Act of the kingdom of Bhutan, 2000 is also eligible to engage in wholesale business.
- 3.3 The wholesaler shall engage only in those products for which the license has been issued.
- 3.4 The wholesaler shall be allowed to deal in products of a maximum of 30 Principal Companies/Firms.
- 3.5 The appointment of wholesaler for third country goods shall be subject to Foreign Exchange Regulations of Bhutan 1997 and Rules and Procedures for imports from third countries.
- 3.6 Principal companies shall not be permitted to operate in the kingdom without the appointment of Bhutanese representatives.

## **4 APPOINTMENT PROCEDURE**

- 4.1 The wholesaler shall be appointed by the principal company as their representative in Bhutan.
- 4.2 The letter of appointment and contractual agreement with the principal company shall be the basis for processing of the wholesale license.
- 4.3 The wholesaler shall apply for wholesale license on prescribed form available with the Regional Trade and Industry Offices or on the Ministry's website ([www.mti.gov.bt](http://www.mti.gov.bt)).
- 4.4 Photo copies of citizenship identity card, security clearance, appointment letter and distributorship agreement must be submitted along with the duly completed wholesale application form to the Ministry.

4.5 Principal Company shall appoint more than one representative in Bhutan to curb monopolistic practices.

4.6 The wholesaler shall be classified as small, medium or large on the basis of their annual sales turn-over.

4.7 License fees shall be levied on the basis of the scale for which a license has been granted as per Annex I.

4.8 The wholesale license shall be renewed every one year. Renewal shall be subject to clean record.

## **5. ACTIVITY CLASSIFICATION**

5.1 The activity classification shall be done in accordance with International Standard Industrial Classification (ISIC) Codes, and Harmonized Commodity Description Code (HS) at 4 digit level as relevant.

5.2 The wholesaler shall be permitted to engage in an activity that has been awarded by the principals with the exception of those prohibited and those listed in the Negative List as per annex II.

## **6 RIGHTS OF WHOLESALER**

6.1 The wholesale license shall confer the right to commence business of distribution of products specified in the license.

6.2 The wholesaler shall be allowed to distribute the products in the whole kingdom.

6.3 The wholesaler may open showrooms, warehouse and branch offices in Dzongkhags provided that such locations are noted in the license or prior approval is obtained from the Ministry.

## **7 OBLIGATIONS OF WHOLESALER**

7.1 The wholesaler shall set up business only after obtaining a license from the Ministry.

7.2 The wholesaler shall comply with all the laws and by-laws of the Royal Government of Bhutan in the conduct of their business.

7.3 The wholesaler shall set up business only in areas designated/permitted by respective Dzongkhag and Municipal authorities.

7.4 The wholesaler shall not lease/sublease his license to another party.

- 7.5 The wholesaler shall set up warehouses for the storage and distribution of their products.
- 7.6 The wholesaler shall sell at wholesale prices determined by their principals from time to time.
- 7.7 The wholesaler shall pass on privileges, benefits, and discount that are offered by the principals to the retailer and consumer.
- 7.8 The wholesaler shall be required to maintain adequate stock based on predetermined demand at all times for supply to retailers.
- 7.9 The wholesaler shall not be allowed to carry out retail business.
- 7.10 The wholesaler shall ensure that spurious, adulterated and products with expired dates are not sold.
- 7.11 The wholesaler shall set up service facilities and provide after sales service and warranty services.
- 7.12 The wholesaler shall cooperate and provide any information as required by the Ministry or its authorized representatives.
- 7.13 The wholesaler shall allow unfettered access to the authorized representatives of the Ministry to inspect its premises.

## **8 PENALTIES**

- 8.1 The wholesaler shall be liable to penalties for any violation and shall be dealt as per the relevant provisions contained in the “General Guideline for Industrial and Commercial Ventures in Bhutan (1997)” or any other relevant rules and regulations in vogue.
- 8.2 The wholesaler shall be liable to a penalty of Nu. 10,000, for violation of any provisions of this Regulation.
- 8.3 A repeat violation of the provisions of this regulation shall result in the cancellation of the license.

## **9 POWER TO GRANT EXEMPTION /AMEND**

- 9.1 The Minister shall have the power to grant any exemption under this Regulation.

9.2 The Ministry shall have the power to amend any provisions of this Regulation from time to time.

## **10 SUPERSESSION AND INTERPRETATION**

10.1 This Regulation shall supersede the following:

(a) “Policy and Procedure for appointment of additional wholesale dealerships to Bhutanese nationals for purposes of breaking the existing monopolies in the Kingdom” enforced on 11<sup>th</sup> August 1994.

(b) “Bhutan Package Commodities Rules and Regulations, 1995”.

10.2 In the event of conflict of any provisions of this Regulation with any existing Rules, the provisions of this Regulation shall prevail.

10.3 The Ministry shall be sole authority responsible for interpretation of this Regulation and its decision shall be final and binding.

**Annex -I**

<b>Trade Scale Category classification and License Fee Structure Category</b>	<b>Turnover (Nu) in millions</b>	<b>License fees (Nu)</b>
Large	More than Nu.10 m	10,000
Medium	5m - 10m	5,000
Small	1m - 5 m	3,000
Micro	Less then 1 m	Free

**Annex-II****Negative List:**

1. Arms and Ammunition
2. Chemicals and fertilizers
3. Drugs and pharmaceutical products
4. Narcotics and psychotropic drugs and substances
5. Alcohol and Alcoholic Beverages
6. Explosives and explosive devices
7. Gold and silver in excess of free allowance
8. Industrial and toxic waste and residues
9. Live animals and their products or by-products
10. Plants and plant materials
11. Plastic packing materials as notified by Ministry of Trade & Industry
12. Wireless and Remote sensing telecommunication and broadcasting equipment
13. Petroleum ,Oil , and Lubricant products
14. Antiques and any other items as specified by the Royal Government.
15. Raw hides and skins
16. Pornography and pornographic materials.
17. Tobacco and Tobacco Products
18. Camouflage Garments
19. Used or second hand machinery, vehicles, equipment and parts thereof

20. Ozone depleting substances and ODS based equipment

21. Any other goods which are restricted by any other laws and regulations in force.