

## Bhutan Legal Framework Analysis: Highlights

This one-pager aims to provide a brief overview of the most notable features of Bhutan's national cooperative legal framework, based on the work of national legal expert and ICA member input. This analysis exclusively deals with the National Cooperative Law of Bhutan. The Legal Framework established by the National Cooperative Law of Bhutan is found in the following legislation:

### 1. Co-operatives (Amendment) Act of Bhutan, 2009

The Co-operatives (Amendment) Act of Bhutan, 2009 was enacted to facilitate the development of cooperatives as a sustainable pillar of growth within the private sector. It directs the Royal Government of Bhutan to promote cooperatives for the well-being of members and communities. The Act provides for five types of cooperatives i.e. farmers' group, primary cooperatives, federation of cooperatives, union of cooperatives and special types of cooperatives. It does not provide for specific tax exemption to any farmer group or cooperatives since taxation is governed by tax laws in Bhutan. However, all existing cooperatives are exempted from paying tax, as the Fiscal Incentives Tax of Bhutan, 2017 granted a 10-year tax holiday to businesses engaged in agriculture and renewable natural resources sector.

**Cooperative Friendliness:** The cooperative legal environment of Bhutan is quite "cooperative friendly" as it provides a conducive environment to people to form cooperatives and work towards realization of their common aspiration to become economically self-reliant.

**Key recommendations for improvement:** (1) Extend application of the Act to those cooperatives whose activities are beyond the renewable natural resources sector. (2) Set legal sanctions for non-adherence to provisions of the Act and its Rules. (3) Outline clear procedures for the settlement of grievances or disputes through mediation, and without having to seek judicial adjudication. (4) Outline clear roles and responsibilities of the Registrar and the Department of Agricultural Marketing and Cooperatives (DAMC).

**Conclusion:** The Co-operatives (Amendment) Act of Bhutan, 2009 is the only legal framework in Bhutan that recognizes farmer groups and cooperatives as legal entity. The implementation of this Act is supplemented by Co-operatives Rules and Regulations, 2010 which provide detailed procedural requirements for the formation, governance and management including financial management of farmer groups and cooperatives. The cooperative law in Bhutan is enacted based on the internationally accepted seven cooperative principles.