

Type: REGULATION (PER)
By: THE MINISTER OF TRADE OF THE REPUBLIC OF INDONESIA
Number: 22/M-DAG/PER/3/2016
Date: MARCH 28, 2016 (JAKARTA)
Title: GENERAL PROVISIONS ON DISTRIBUTION OF GOODS

BY THE GRACE OF THE ALMIGHTY GOD

THE MINISTER OF TRADE OF THE REPUBLIC OF INDONESIA,

Considering:

Whereas for the purpose of implementing the provisions of Article 11 of Law Number 7 Year 2014 regarding Trade, it is necessary to stipulate a Regulation of the Minister of Trade regarding General Provisions on Distribution of Goods;

In View of:

1. Law Number 3 Year 1982 regarding Company Mandatory Register (State Gazette of the Republic of Indonesia Year 1982 Number 7, Supplement to the State Gazette of the Republic of Indonesia Number 3214);
2. Law Number 5 Year 1999 regarding Prohibitions on Monopoly Practice and Unfair Business Competition (State Gazette of the Republic of Indonesia Year 1999 Number 33, Supplement to the State Gazette of the Republic of Indonesia Number 3817);
3. Law Number 25 Year 2007 regarding Capital Investment (State Gazette of the Republic of Indonesia Year 2007 Number 67, Supplement to the State Gazette of the Republic of Indonesia Number 4724);
4. Law Number 20 Year 2008 regarding Micro, Small and Medium Scale Businesses (State Gazette of the Republic of Indonesia Year 2008 Number 93, Supplement to the State Gazette of the Republic of Indonesia Number 4866);
5. Law Number 39 Year 2008 regarding State Ministries (State Gazette of the Republic of Indonesia Year 2008 Number 166, Supplement to the State Gazette of the Republic of Indonesia Number 4916);
6. Law Number 7 Year 2014 regarding Trade (State Gazette of the Republic of Indonesia Year 2014 Number 47, Supplement to the State Gazette of the Republic of Indonesia Number 5512);
7. Government Regulation Number 42 Year 2007 regarding Franchise (State Gazette of the Republic of Indonesia Year 2007 Number 90, Supplement to the State Gazette of the Republic of Indonesia Number 4742);

8. Presidential Decree Number 121/P Year 2014 regarding Formation of Ministries and Appointment of Working Cabinet Ministers of the Period of 2014-2019;
9. Presidential Decree Number 79/P Year 2015 regarding Replacement of Several State Ministers of Working Cabinet of the Period of 2014-2019;
10. Presidential Regulation Number 7 Year 2015 regarding Organization of State Ministries;
11. Presidential Regulation Number 48 Year 2015 regarding the Ministry of Trade;
12. Regulation of the Minister of Trade Number 08/M-DAG/PER/2/2016 regarding Organization and Working Procedures of the Ministry of Trade;

HAS DECIDED:

To Stipulate: REGULATION OF THE MINISTER OF TRADE REGARDING GENERAL PROVISIONS ON DISTRIBUTION OF GOODS.

CHAPTER I GENERAL PROVISIONS

Article 1

Referred to herein as:

1. Goods shall be any objects, whether tangible or intangible, movable or immovable, consumable or non-consumable and tradeable, usable, or utilized by consumers or businessman.
2. Distribution shall be activities with respect to direct or indirect distribution of Goods to consumers.
3. Trading shall be management of activities related to transactions of Goods and/or Services in the country and across country borders with purpose of assigning rights over Goods and/or Services to gain fee or compensation.
4. Licenses shall be the granting of business legality in the Trading sector in the form of business license, specific license, registration, recognition and approval.
5. Businessman shall be any individual of Indonesia citizen or business entity whether incorporated or not, established and domiciled in the jurisdiction of the Unitary State of the Republic of Indonesia conducting business activities in the trading sector.
6. Businessman in the Distribution sector shall be the Businessman conducting activities related to domestic Distribution of Goods.
7. Producer shall be company in the form of individual or legal entity producing Goods.
8. Distributor shall be Businessman in the Distribution sector acting for their own name and based on appointment from Producers or suppliers or Importers based on agreement(s) to conduct Goods marketing activities.

9. Sub-Distributor shall be Businessman in the Distribution sector acting upon appointment from Distributors based on agreement(s) to conduct Goods marketing activities.
10. Agent shall be Businessman in the Distribution sector acting as broker for and on behalf of the appointing party based on agreement(s) to conduct Goods marketing activities.
11. Sub-Agent shall be Businessman in the Distribution sector acting as broker for and on behalf of the appointing Agent based on agreement(s) to conduct Goods marketing activities.
12. Wholesaler shall be Businessman in the Distribution sector selling many types of Goods in the form of large party and not in retail.
13. Vendor shall be Wholesaler in the form of stores with self-services system.
14. Retailer shall be Businessman in the Distribution sector whose main activity is marketing Goods directly to consumers.
15. Franchise shall be special right of an individual or business entity to a business system with specific characteristics of business for the purpose of marketing Goods and/or Services which have been proven successful and can be utilized and/or used by other parties based on a franchise agreement.
16. Importer shall be an individual person or business entity conducting Trading by way of releasing Goods or Services from overseas into Indonesia customs area in compliance with the provisions of laws and regulations.
17. Single level direct marketing shall be the selling of certain goods without going through level marketing network.
18. Multi level direct marketing shall be the marketing of certain goods through hierarchical marketing network developed by direct sellers who are working based on commission and/or bonus according to income from selling goods to consumers.
19. Exclusive Distribution Right shall be the right to distribute goods owned by only one company in Indonesia territory which is acquired from direct and indirect agreements with holder of right to distribution of trademark or from ownership of trademark.
20. Self Service Shop shall be a shop with self-services system which sells many types of Goods in retail to consumers with specified price tag.

CHAPTER II DISTRIBUTION OF GOODS

Article 2

Distribution of Goods marketed domestically can be conducted indirectly or directly to consumers.

CHAPTER III
INDIRECT DISTRIBUTION OF GOODS

Article 3

- (1) Indirect Distribution of Goods as intended in Article 2 shall be conducted by Businessman in the Distribution sector using general distribution chain namely:
 - a. Distributors and their networks; or
 - b. Agents or their networks.
- (2) Businessman in the Distribution sector using Distributors and their networks as intended in paragraph (1) sub-paragraph a shall consist of:
 - a. Distributors;
 - b. Sub-Distributors;
 - c. Wholesalers;
 - d. Vendors; and
 - e. Retailers.
- (3) Businessman in the Distribution sector using Agents and their networks as intended in paragraph (1) sub-paragraph b shall consist of:
 - a. Agents;
 - b. Sub-Agents;
 - c. Wholesalers;
 - d. Vendors; and
 - e. Retailers.

Article 4

- (1) Indirect Distribution of Goods as intended in Article 2 may also be conducted by Businessman in the Distribution sector by using Franchise distribution chain.
- (2) Businessman in the Distribution sector as intended in paragraph (1) shall consist of:
 - a. Francisors;
 - b. Advanced Franchisors;
 - c. Franchisee; and
 - d. Advanced Franchisee.

Article 5

Businessman in the Distribution sector distributing Goods using Franchise distribution chain must comply with the provisions of laws and regulations in the Franchise sector.

Article 6

- (1) In distributing Goods indirectly as intended in Article 3 paragraphs (2) and (3) Businessman in the Distribution sector must fulfill provisions as follows:
 - a. Distributors may only distribute Goods to Sub-Distributors, Wholesalers, Vendors and/or Retailers;

- b. Sub-Distributors may only distribute Goods to Wholesalers, Vendors and/or Retailers;
 - c. Agents may only distribute Goods to Sub-Agents, Wholesalers, Vendors and/or Retailers; and
 - d. Sub-Agents may only distribute Goods to Wholesalers, Vendors and/or Retailers.
- (2) Indirect Distribution of Goods shall be conducted by Businessman in the Distribution sector as intended in paragraph (1) based on an agreement, appointment and/or written evidence of transaction.

Article 7

- (1) With regard to distribution of Goods, Producer or their representatives must appoint a company to act as the Distributor or Agent.
- (2) Distributor or Agent as intended in paragraph (1) may appoint Sub-Distributor or Sub-Agent.

Article 8

- (1) Distributor, Sub-Distributor, Agent and Sub-Agent distributing Goods as intended in Article 7 must have distributorship/agency register identification from the Minister.
- (2) Further provisions on register identification shall be provided for in separated Minister Regulation(s).

Article 9

- (1) In distributing Goods, Retailer as intended in Article 3 paragraph (2) sub-paragraph e and Article 3 paragraph (3) sub-paragraph e must use shop as means of its selling and other means of selling.
- (2) Shop as means of its selling as intended in paragraph (1) can be in the form of the following:
- a. self-service shops in the form of minimarket, supermarket, department store, hypermarket; or
 - b. shops using conventional services system.
- (3) Other means of selling as intended in paragraph (1) can be in the form as follows:
- a. electronic system;
 - b. selling by using electronic appliances (vending machine); or
 - c. mobile selling.

Article 10

- (1) Distributor as intended in Article 3 paragraph (2) sub-paragraph a must comply with the provisions as follows:
 - a. it is a business entity incorporate or non-incorporated, established and having its domicile in Indonesia jurisdiction;
 - b. it holds Licenses in the Trading sector as Distributor as issued by the competent agencies and/or institutions;
 - c. it owns or controls business premises with correct, permanent and clear address;
 - d. it owns or controls registered warehouses with correct, permanent and clear address; and
 - e. it has agreement(s) with Producers or suppliers or Importers on Goods to be distributed.

- (2) Sub-Distributor as intended in Article 3 paragraph (2) sub-paragraph b, must comply with the provisions as follows:
 - a. it is a business entity incorporated or non- incorporated, established and having its domicile in Indonesia jurisdiction;
 - b. it holds Licenses in the Trading sector as Sub-Distributor as issued by the competent agencies and/or institutions;
 - c. it owns or controls business premises with correct, permanent and clear address;
 - d. it owns or controls registered warehouses with correct, permanent and clear address; and
 - e. it has agreement(s) with Distributors.

Article 11

- (1) Agent as intended in Article 3 paragraph (3) sub-paragraph a, must comply with the provisions as follows:
 - a. it is a business entity incorporated or non-incorporated, established and having its domicile in Indonesia jurisdiction;
 - b. it holds Licenses in the Trading sector as Agent as issued by the competent agencies and/or institutions;
 - c. it owns or controls business premises with correct, permanent and clear address;
 - d. it has an agency agreement with appointing party which provides for the rights and obligations of the respective parties; and
 - e. it carries out its business based on commission from the appointing party.

- (2) Sub-Agents as intended in Article 3 paragraph (3) sub-paragraph b, must comply with the provisions as follows:
- a. it is a business entity incorporated or non-incorporated, established and having its domicile in Indonesia jurisdiction;
 - b. it holds Licenses in the Trading sector as Sub-Agent as issued by the competent agencies and/or institutions;
 - c. it owns or controls business premises with correct, permanent and clear address;
 - d. it has agreement with Agent which provide for the rights and obligations of Sub-Agent; and
 - e. it conducts its business based on commission from the appointing Agent.

Article 12

- (1) Wholesaler as intended in Article 3 paragraph (2) sub-paragraph c and Article 3 paragraph (3) sub-paragraph c, must comply with the provisions as follows:
- a. it is a business entity incorporated or non- incorporated, established and having its domicile in Indonesia jurisdiction;
 - b. it holds Licenses in the Trading sector as wholesaler as issued by the competent agencies and/or institutions;
 - c. it owns or controls business premises in an area of at least more than 5.000 m2 (five thousand square meters) as registered at permanent, correct and clear address and located near by intersection road or highway;
 - d. it engages in cooperation with Producers, Distributors or Importers of Goods under agreements; and
 - e. selling transaction of Goods may only be conducted with Businessman and/or Retailer holding membership card.
- (2) Vendor as intended in Article 3 paragraph (2) sub-paragraph d and Article 3 paragraph (3) sub-paragraph d, must comply with the provisions as follows:
- a. it is a business entity incorporated or non-incorporated, established and having its domicile in Indonesia jurisdiction;
 - b. it holds Licenses in the Trading sector as Vendor as issued by the competent agencies and/or institutions;
 - c. it owns or controls business premises with correct, permanent and clear address.

Article 13

Retailer as intended in Article 3 paragraph (2) sub-paragraph e and Article 3 paragraph (3) sub-paragraph e, must comply with the provisions as follows:

- a. it is a business entity incorporated or non-incorporated, established and having its domicile in Indonesia jurisdiction;
- b. it holds Licenses in the Trading sector as Retailer as issued by the competent agencies and/or institutions;
- c. it owns or controls business premises with correct, permanent and clear address.

Article 14

Businessman in the Distribution sector using Franchise distribution chain as intended in Article 4, must comply with the provisions as follows:

- a. it holds business licenses from technical agencies pursuant to its line of businesses; and
- b. it owns Franchise Register Identification.

CHAPTER IV DIRECT DISTRIBUTION OF GOODS

Article 15

- (1) Direct Distribution of Goods as intended in Article 2, shall be conducted by using specific distribution through direct selling system.
- (2) Direct selling system as intended in paragraph (1) shall be implemented by ways as follow:
 - a. Single level direct marketing; or
 - b. Multi level direct marketing.

Article 16

Goods to be distributed by using direct selling system may only be marketed by registered official sellers as members of direct selling company with exclusive distribution right.

Article 17

- (1) Businessman in the Distribution sector in direct selling system as intended in Article 15 must fulfill business requirements as follows:
 - a. it is a business entity in the form of Limited Liability Company (PT); and
 - b. it holds Licenses in the field of direct selling as issued by the competent agencies and/or institutions.
- (2) Further provisions on Direct Distribution of Goods shall be provided for in separated Minister Regulation(s).

Article 18

Businessman in the Distribution sector as intended in Articles 3, 4 and 15 must comply with the provisions on distribution method related to Goods as specifically set out under the provisions of laws and regulations.

CHAPTER V PROHIBITIONS

Article 19

- (1) Distributor, Sub-Distributor, Wholesaler, Vendor, Agent, and Sub-Agent shall be prohibited from distributing Goods in retail to consumers.
- (2) Agent and Sub-Agent shall be prohibited to transfer any rights over the physical Goods owned/controlled by foreign Producers or suppliers and appointing Producers or Importers.
- (3) Indirect Distributors shall be prohibited from distributing Goods which are marketed through direct selling system with exclusive distribution right.
- (4) Producers of large and medium businesses scale as well as Importers shall be prohibited from distributing Goods to Retailer.

CHAPTER VI MISCELLANEOUS PROVISIONS

Article 20

Importers which also act as Distributors may sell Goods directly to Retailers.

Article 21

In marketing Goods to Distributors, no Licenses in the Trading sector shall be required.

Article 22

Producers may supply or distribute Goods for use as raw materials or supplementary materials to other Producers without passing through other Producers or supplementary materials to other Producers without passing through Distributors or Agents, and their networks.

Article 23

Producers with micro and small scale businesses may sell Goods to consumers without passing through Distributors or Agents, and their networks.

Article 24

For Goods under supervision, its trading shall be governed and/or restricted, while its distribution shall be provided for in separated Minister Regulation(s).

CHAPTER VII

SANCTIONS

Article 25

- (1) Any Businessman in the Distribution sector which violated the provisions as intended in Articles 8, 10, 11, 12, 13, 14, 16, 17, 18, and 19, shall be subject to administrative sanctions.
- (2) Administrative sanctions as intended in paragraph (1) shall be imposed in phases in the form of the following:
 - a. written reprimand;
 - b. freezing out of business license; and
 - c. revocation of business license.

CHAPTER VIII CLOSING

Article 26

At the time this Minister Regulation comes into effect, Decision of the Minister of Industry Number 23/MPP/Kep/1/1998 regarding Trading Business Institutions, shall be revoked and declared invalid.

Article 27

This Minister Regulation shall come into force on the date of its promulgation.

For public cognizance, hereby ordering that the promulgation of this Minister Regulation is published in the Official Gazette of the Republic of Indonesia.

Stipulated in Jakarta
On March 28, 2016

MINISTER OF TRADE OF
THE REPUBLIC OF INDONESIA,

Signed
THOMAS TRIKASIH LEMBONG

Issued as a true copy
Secretariat General of the Ministry of Trade
of the Republic of Indonesia
Head of Legal Bureau,

Signed and sealed
LASMININGSIH

NOTE

Source: LOOSE LEAF REGULATION OF THE MINISTER OF TRADE YEAR 2016