



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

[www.rbi.org.in](http://www.rbi.org.in)

RBI/2014-15/109

DGBA.GAD.No.H - 2/31.12.010/2014-15

July 1, 2014

(Updated as on January 07, 2015)

All Agency Banks

Dear Sir / Madam

**Master Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission**

Please refer to our [master circular RBI/2012-13/102 dated July 02, 2012](#) on the above subject. We have now updated the master circular incorporating important instructions issued by us till end of June 2013. A copy of the same is enclosed for your information. This circular may also be downloaded from our website [www.mastercirculars.rbi.org.in](http://www.mastercirculars.rbi.org.in).

2. Please acknowledge receipt.

Yours faithfully

(B. K. Mishra)  
Chief General Manager

Encl: As above

सरकारी एवं बैंक लेखा विभाग, केन्द्रीय कार्यालय, मुंबई सेंट्रल रेल्वे स्टेशन के सामने, भायखला, मुंबई 400 008  
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हिन्दी आसान है, इसका प्रयोग बढ़ाइए ।

चेतावनी: भारतीय रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन-कॉल के जरिये किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड, आदि नहीं मांगी जाती है । यह धन रखने या देने का प्रस्ताव भी नहीं करता है । ऐसे प्रस्तावों का किसी भी तरिके से जवाब मत दीजिये ।  
Caution: RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.

## **MASTER CIRCULAR ON AGENCY COMMISSION**

### **1. Agency Commission Payable to Banks on Government Transactions**

**[DGBA.GAD.No.H.7575/31.12.011/2011-12 dated May 22, 2012]**

**[DGBA.GAD.H-2529/31.12.010(C)/2012-13 dated October 31, 2012]**

Reserve Bank of India carries out the general banking business of the Central and State Governments through its own offices and through the offices of the Agency Banks appointed under Section 45 of the RBI Act, 1934, by mutual agreement. RBI pays agency commission (also called turnover commission) to the Agency Banks for the Government business handled by them. As per paragraph 5 of the Agency Bank agreement, RBI pays agency commission at a rate determined by it. A review in this regard was made and it has been decided to prescribe a revised agency commission structure, as under:

| <b>Sr.No.</b> | <b>Type of Transaction</b>  | <b>Unit</b>        | <b>Revised Rate</b> |
|---------------|-----------------------------|--------------------|---------------------|
| 1. (i)        | Receipts-Physical mode      | Per transaction    | ₹ 50/-              |
| (ii)          | Receipts- e-mode            | Per transaction    | ₹ 12/-              |
| 2.            | Pension Payments            | Per transaction    | ₹ 65/-              |
| 3.            | Payments other than Pension | Per ₹ 100 turnover | 5.5 paise           |

ii) In this context, the 'Receipts-e-mode transactions' indicated against Sr. No. 1(ii) in above table would refer to those transactions involving remittance of funds from the remitter's bank account through internet banking as well as such transactions which do not involve physical receipt of cash /instruments.

iii) The revised rates are effective from **July 1, 2012**.

iv) Agency banks are required to submit their claims for agency commission in the prescribed format. The revised formats for claiming agency commission claims for all agency banks and separate and distinctive set of certificates to be signed by the branch officials and Chartered Accountants are placed at Annex-B. These certificates would be in addition to the usual Certificate from ED / CGM (in charge of Government Business) to the effect that there are no pension arrears to be credited / delays in crediting regular pension / arrears thereof.

### **2. Agency Commission towards Public Provident Fund Scheme, 1968 (PPF) and Senior Citizen Savings Scheme 2004 (SCSS)**

**[DGBA.GAD.H-14024/31.12.010/2006-07 dated March 16, 2007]**

**read with: [DGBA.GAD.No.H.7575/31.12.011/2011-12 dated May 22, 2012]**

The issue of payment of agency commission by Reserve Bank of India for handling PPF and SCSS was examined in consultation with the Government of India and it

was decided to follow only one channel of payment of remuneration to banks for handling transactions under PPF and SCSS. Accordingly, Reserve Bank of India will pay agency commission w.e.f. July 1, 2012 on transactions relating to PPF and SCSS at the following rates:

- a) Receipts - i) Physical mode - ₹ 50/- per transaction  
ii) e-mode - ₹ 12/- per transaction

- b) Payments - 5.5 paise per ₹ 100/- turnover

Government of India will discontinue the payment of remuneration for managing PPF and SCSS.

### **3. Government transactions eligible for Agency Commission**

**[\[DGBA.GAD.No.H-2625-2658/31.12.010\(C\)/2004-05 dated December 17, 2004\]](#)**

**[DGBA.GAD.No. H- 8852 /31.12.010(C)/2010-11 dated June 21, 2011]**

The following transactions undertaken by agency banks are eligible for agency commission :

- Revenue receipts and payments on behalf of the Central/State Governments
- Pension payments in respect of Central / State Governments
- Special Deposit Scheme (SDS) 1975, Public Provident Fund (PPF) Scheme
- Senior Citizen Savings Scheme (SCSS)
- Any other item of work specifically advised by Reserve Bank as eligible for agency commission (viz. Relief Bonds/ Savings Bonds etc. transactions)

Short term/long term borrowings of State Governments raised directly from financial institutions and banks are not eligible for agency commission as these transactions are not considered to be in the nature of general banking business. Reserve Bank pays the agency banks separate remuneration as agreed upon for acting as agents for management of public debt. Transactions arising out of Letter of Credit (L/C) opened by banks on behalf of Ministries/Departments etc. do not qualify for agency commission.

However, in the context of references received from some agency banks, the issue of collection of Stamp Duty by banks as an eligible item for agency commission was examined by us and it has been decided to treat the Government transactions regarding collection of Stamp Duty by agency banks as an eligible item for agency commission as detailed below:

- i. Whenever agency banks collect stamp duty through physical mode or e-mode (challan based), they are eligible for payment of agency commission, provided the agency banks do not collect any charges from the members of public or receive remuneration from the State Government for doing this work.

- ii. As regards franking activity, if the agency bank is engaged by the State Government as Franking Vendor and it collects stamp duty from the public for franking the documents, it will not be eligible for agency commission since the State Government is paying commission to it as Franking Vendor. However, the agency bank which collects the stamp duty paid by the Franking Vendor for credit to the Treasury through challan in physical or e-mode for purchase of the franking bar, would be eligible for agency commission since it is a regular payment of Stamp Duty as stated under item (i) above.

All agency banks while claiming Turnover Commission (ToC) should certify that no claim of ToC is made on ineligible transactions.

#### **4. Scheme for Acceptance of Income/Other Direct Taxes and Profession Tax/Other Taxes of State Government through Agency Banks**

**[DGBA.GAD.No.H- 41/42.02.001/2003-04 dated July 22, 2004]**

**[\[DGBA. GAD. No. H-1225-1258/42.02.001/2004-05 dated October 27, 2004\]](#)**

**[DGBA. GAD. No. H-3568-3601/42.01.001/2004-05 dated January 13, 2005]**

Agency banks paying their own tax liabilities through their own branches or through authorised branches of State Bank of India or offices of Reserve Bank of India wherever they do not have their own authorised direct tax collection branch should indicate the same separately in the scroll. Such transactions will not be eligible for payment of agency commission. Banks should furnish a certificate to the effect that own tax liabilities (TDS, Corporation Tax, etc.) paid by them have been excluded while claiming agency commission.

#### **5. Deduction of TDS on Agency Commission**

**[DGBA.GAD.No. H-190/31.12.010/2003-04 dated September 14, 2003]**

**[DGBA.GAD.No. H-6670/31.12.010(C)/2010-11 dated March 24, 2011]**

It has been decided by Central Board of Direct Taxes that tax would not be required to be deducted by Reserve Bank on the amount of agency commission paid or credited by it to its agents. The Central Board of Direct Taxes vide their Office Memorandum F.No.275/20/2011-IT(B) dated 14<sup>th</sup> March, 2011 have further clarified that 'tax would not be required to be deducted by RBI on the turnover commission paid or credited by it to agency banks for transacting general banking business of the Central Government and State Government'. However, agency commission would be taxable in the accounts of banks concerned as it is part of the bank's income.

#### **6. Agency Commission claims submitted by agency banks – common irregularities – charging of penal interest for wrong claims**

**[DGBA. GAD. No. H-4530/31.12.010(C)/2005-06) dated October 27, 2005]**

**[DGBA. GAD. No. H-11136/31.12.010(C)/ 2005-06 dated January 31, 2006]**

**[DGBA.GAD.No. H-13118/31.12.010 (C)/ 2005-06 dated March 2, 2006]**

Agency banks were advised about the common irregularities observed in our snap verification of agency commission claims submitted by a few agency banks. The banks are required to take due care while lodging claims for agency commission and ensure that they are accurate. In order to avoid wrong claims, they should get the claim certified by their internal/ concurrent auditor. Agency banks will be liable to pay penal interest at Bank Rate as notified by Reserve Bank of India plus 2% for any wrong claims of agency commission settled.

## **7. Agency Commission on Special Deposit Scheme**

**[DGBA.GAD. No. H-11794/31.12.010 (C)/2005-06 dated February 13, 2006]**

**read with:**

**[DGBA. GAD. No. H-7575/31.12.011/2011-12 dated May 22, 2012]**

The transactions under SDS-1975 are eligible for agency commission at par with 'Payments other than pension' As such, agency banks are eligible for agency commission at the rate of 5.5 paise per ₹ 100 turnover w.e.f. July 1, 2012 on such transactions. Since fresh deposits under the scheme are no longer allowed, the current transactions on account of SDS- 1975 would be –

- a) allowing obligatory withdrawals as and when a request in this regard is received from the Fund,
- b) interest payments at annual rates and
- c) closure of account as provided for in the Scheme.

## **8. Agency Commission on pension transactions**

**[DGBA.GAD.No.H.13034/31.12.010(C)/2006-07 dated February 27, 2007]**

**read with:**

**[DGBA.GAD.No.7575/31.12.011/2011-12 dated May 22, 2012]**

Agency banks would be eligible to claim agency commission for pension transactions at the rate of ₹ 65/- per transaction w.e.f. July 1, 2012, only when the entire work relating to disbursement of pension including pension calculation is attended to by the agency bank. If the work relating to pension calculations, etc., is attended to by the concerned Government Department/ Treasury and the bank branches are required only to credit the amount of pension to the pensioners' accounts maintained with them by a single debit to Government Account, such transaction is to be categorized under 'other than pension payment' and would be eligible for payment of agency commission @ 5.5 paise per ₹ 100/- turnover w.e.f. July 1, 2012.

## **9. Abnormal increase in Agency Commission claims**

**[DGBA.GAD.No.H.1800/31.12.010(C)/2009-10 dated August 21, 2009]**

Agency banks are required to ensure that agency commission claims submitted to the Regional Offices of Reserve Bank of India / Central Accounts Section, Nagpur in

the prescribed format are accurate. Further, the information contained in the claim applications made by their branches should be certified by the Internal / Concurrent Auditors so as to avoid wrong claims. However, our Regional Offices reported to us that some agency banks have submitted wrong / erroneous claims of large amounts duly certified by their Internal / Concurrent Auditors. Such erroneous claims, if certified by the Internal / Concurrent Auditors, will defeat the very purpose of making such requirement an essential condition for making quarterly claims. In view of this, agency banks were requested to alert their branches concerned to ensure that agency commission claims submitted to our Regional Offices are accurate.

#### **10. Agency Commission claims to be certified by the External Auditor**

**[DGBA.GAD.No.H.3903/31.12.010(C)/2009-10 dated November 11, 2009]**

**[DGBA.GAD.No.H.160/31.12.010(C)/2010-11 dated July 7, 2010]**

**[DGBA.GAD.No.H – 2995 / 31.12.010 /2014-15 dated January 7, 2015]**

Despite the instructions, our Regional Offices continue to receive wrong / excess claims from agency banks. It has, therefore, been decided that henceforth agency commission claims submitted by agency banks should be audited and certified by an External Auditor (Chartered Accountants) before submission to the Reserve Bank of India. Where the External Auditor is also the Concurrent Auditor / Statutory Auditor, claims can be certified by such Concurrent Auditor / Statutory Auditor.

Accordingly, agency banks were advised that all agency commission claims submitted to our Regional Offices should be duly certified by an External Auditor (Chartered Accountants). The agency commission claims submitted to our Regional Offices must be accompanied by a certificate stating that the claims have been audited and found correct by an External Auditor (Chartered Accountants). Such external auditor's certificate should, inter-alia, state that:

- (a) 'receipt' and 'pension payment transactions' as also the agency commission claims for 'payments other than pension payments' indicated in the agency commission claim application submitted to the RBI are tallied with the records maintained at the concerned branch/es of the agency bank; and
- (b) the agency commission claims made in respect of volume (number) based transactions viz. 'receipt' and 'pension payment transactions' have been claimed only once and the same stands excluded while arriving at value based transactions in respect of 'payments other than pension payments'.

In addition to this, agency banks are required to ensure that the agency bank's Internal Inspectors / Auditors verify the agency commission claims submitted by their branches and confirm their accuracy during the course of their Inspection / Audit.

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## Annex-A

### List of circulars consolidated in the Master Circular :

| Sr. No. | Circular No.   | Date                                  | Subject   |
|---------|--|---------------------------------------|---|
| 1.      | DGBA.GAD.No.H-190/31.12.010/2003-04  | September 14, 2003                    | TDS on Agency Commission will not be effected by RBI  |
| 2.      | DGBA.GAD.No.H-41/42.02.001/2003-04   | July 22, 2004                         | Scheme for acceptance of Income and other direct taxes (Central Government) and Profession tax/other taxes of State Governments through agency banks. |
| 3.      | <a href="#">DGBA.GAD.No.H-1225-1258/42.02.001/2004-05</a>  | October 27, 2004                      | Scheme for acceptance of Income and other direct taxes (Central Government) and Profession tax/other taxes of State Governments through agency banks  |
| 4.      | <a href="#">DGBA.GAD. No.H-2625-2658/31.12.010(C)/2004-05</a>                                      | December 17, 2004                     | Remuneration for conduct of Government business by agency banks – Payment of Turnover Commission  |
| 5.      | DGBA.GAD.No.H-3568-3601/42.01.001/ 2004-05   | January 13, 2005                      | Scheme for acceptance of Income and other direct taxes (Central Government) and Profession tax/other taxes of State Governments through agency banks  |
| 6.      | DGBA.GAD.No.H.13034/31.12.010(C)/2006-07<br><br><a href="#">DGBA.GAD.No.7575/31.12.011/2011-12</a> | February 27, 2007<br><br>May 22, 2012 | Agency Commission on pension transactions   |
| 7.      | DGBA.GAD.No.H-4530/31.12.010(C)/2005 -06   | October 27, 2005                      |   |

|     |  |   |  |
|-----|--|---|--|
|     | DGBA.GAD.No.H-11136/31.12.010(C)/ 005-06<br>and<br>DGBA.GAD.No.H-13118/31.12.010(C)/ 2005-06 | January<br>31, 2006<br><br>March 2,<br>2006 | Agency Commission claims<br>submitted by agency banks –<br>common irregularities   |
| 8.  | DGBA.GAD.No.H-11794/31.12.010(C)/ 2005-06  | February<br>13, 2006                        | Agency Commission on<br>Special Deposit Scheme   |
| 9.  | <a href="#">DGBA.GAD.No.H-14024/31.12.010/ 2006-07</a>                                       | March 16,<br>2007                           | Agency Commission towards<br>Public Provident Fund<br>Scheme, 1968 (PPF) and<br>Senior Citizen Savings<br>Scheme 2004 (SCSS)   |
| 10. | DGBA.GAD.H-1800/31.12.010(C)/2009-10   | August 21,<br>2009                          | Abnormal increase in agency<br>commission claims   |
| 11. | DGBA.GAD.H-3903/31.12.010(C)/2009-10   | November<br>11, 2009                        | Agency Commission claims<br>to be certified by the External<br>Auditor / Chartered<br>Accountant   |
| 12  | DGBA.GAD.No.H.160/31.12.010(C)/ 2010-11  | July 7,<br>2010                             | Agency Commission claims<br>to be certified by the External<br>Auditor   |
|     |  |   |  |
| 13. | DGBA.GAD.No.H-670/31.12.010(C)/ 2010-11  | March 24,<br>2011                           | TDS on Agency Commission<br>will not be effected by RBI  |
| 14. | DGBA.GAD.No.H-8852/31.12.010(C)/ 2010-11   | June 21 ,<br>2011                           | Payment of agency<br>commission on collection of<br>Registration fee and Stamp<br>Duty   |
| 15. | DGBA.GAD.No.H.2529/31.12.010(C)/2012-13  | October<br>31, 2012                         | Conduct of Government<br>Business by Agency Banks –<br>Payment of Agency<br>Commission – Revised<br>Format for claiming agency<br>commission by banks-<br>Implementation of Working<br>Group recommendations |



|     |   |                    |   |
|-----|---|--------------------|---|
| 16. | <a href="#">DGBA.GAD.No.H – 2995 / 31.12.010 /2014-15</a> | January 7,<br>2015 | Payment of agency<br>commission – Certification of<br>claims by external auditors |
|-----|---|--------------------|---|

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**Enclosure to the Circular DGBA.GAD.No. H-2529/31.12.010 (C)/2012-13 dated October 31, 2012**

**Agency Commission Claim for the Quarter ended.....**

| <b>PART I – DETAILS OF THE BANK</b>  |                     |            |               |            |
|--|---------------------|------------|---------------|------------|
| <b>Name of the bank</b>  |                     | :          |               |            |
| <b>Address of the office submitting claim</b>  |                     | :          |               |            |
| <b>Accredited for (Name of the Govt. Department)</b>   |                     | :          |               |            |
| <b>Activities undertaken</b>   |                     | :          |               |            |
| <b>PART II – DETAILS OF CLAIMS</b>   |                     |            |               |            |
| Particulars  | No. of transactions |            | Amount in Rs. |            |
|  | Physical            | Electronic | Physical      | Electronic |
| <b>I. Gross Receipts</b>   |                     |            |               |            |
| <b>2. Less</b>   |                     |            |               |            |
| (a) Receipts representing Banks' own tax liability **  |                     |            |               |            |
| (b) TDS on various other items under the IT Act  |                     |            |               |            |
| (c) Transactions under Schemes / Special schemes, if any, formulated by Central / State Govt. for senior citizens other than Senior Citizens Savings Scheme 2004 (SCSS-2004) |                     |            |               |            |
| (d) Error scroll transactions  |                     |            |               |            |
| (e) Other ineligible items (like receipts on account of repayments of long term borrowings of State Governments from FIs /   |                     |            |               |            |

|  |  |  |  |  |
|--|--|--|--|--|
| banks, Letter of Credit (LC) transactions on behalf of Ministries / Departments, receipts under Pension)<br>(Item wise details to be furnished)                        |  |  |  |  |
| <b>I.A Net Receipts</b>  |  |  |  |  |
| <b>II. Payments other than pension</b>   |  |  |  |  |
| <b>Less</b>  |  |  |  |  |
| (a) Payments for schemes / Special schemes, if any, formulated by Central / State Govt. for senior citizens other than Senior Citizens Savings Scheme 2004 (SCSS-2004) |  |  |  |  |
| (b) Error scroll transactions  |  |  |  |  |
| ( c ) Other ineligible items<br><br>(like payment under LC transactions etc.)<br>(Item wise details to be furnished)   |  |  |  |  |
| <b>II.A Net Payments other than pension</b>  |  |  |  |  |
| <b>III. Total Pension Payments</b>   |  |  |  |  |
| <b>Less</b>  |  |  |  |  |
| (a) Payments under Pension schemes, other than those meant for Central / State Govt. employees   |  |  |  |  |
| (b) Error scroll transactions  |  |  |  |  |
| <b>III.A Net Pension Payments</b>  |  |  |  |  |

|   |  |  |  |  |
|---|--|--|--|--|
| <b>IV. Total (IA+IIA+IIIA)</b>                                    |  |  |  |  |
| <b>V. (i) No. of Pension Accounts _<br/>Beginning of quarter</b>  |  |  |  |  |
| <b>(ii) No. of pension accounts at the<br/>end of the quarter</b> |  |  |  |  |

**\*\* Agency banks paying their own tax liabilities through their own branches or through authorised branches of State Bank of India or offices of Reserve Bank of India wherever they do not have their own authorised direct tax collection branch should indicate the same separately in the scroll and such transactions will not be eligible for payment of agency commission.**

**Amount of Agency commission claimed:**

**Rs.**

Physical Receipts @ ₹ 50/- per i.e. .....X..... =  
transaction  
E-receipts @ ₹ 12/- per transaction i.e. .....X..... =  
Pension Payments @ ₹ 65 /- per i.e. .....X..... =  
transaction  
Payments other than pension @ 5.5 paise i.e. .....X..... =  
per ₹ 100 turnover

**Total claim =**

(Rupees .....)

Signature, Name and Designation of authorized official:

## CERTIFICATE BY THE BRANCH OFFICIAL

“Certified that the amount of Rs..... claimed as agency commission has been arrived at correctly taking into account the number of transactions in respect of ‘receipts’ and ‘pension payments’ and the amount of transaction in respect of ‘payments other than pension’ as recorded in the daily scrolls of Government transactions furnished to the accounting authorities of the Central/ State Governments/RBI and other records available in the branch and that only eligible items as specified in RBI Master Circular on "Conduct of Government Business by Agency Banks - Payment of Agency Commission" have been considered while arriving at the said amount. We also certify that the number of receipt transactions for which agency commission is claimed is exclusive of the transactions pertaining to own tax liabilities of the bank and the taxes deducted at source under various items of the IT Act

***Signature, name and designation of the authorized signatory  
and seal of the bank***

## CERTIFICATE BY THE CHARTERED ACCOUNTANT

Certified that we have *examined* the records relating to the Government transactions carried out by the branch and that the amount of Rs..... (Rupees.....) claimed as agency commission has been *audited and found correct*, taking into account the number of transactions in respect of ‘receipts’ and ‘pension payments’ and the value of transactions in respect of ‘payments other than pension’ as recorded in the daily scrolls of Government transactions furnished to the accounting authorities of the Central/ State Governments/RBI and other records available at the branch. It is also certified that the agency commission as aforesaid has been arrived at on the basis of only eligible transactions as per the extant instructions of RBI and that the receipt transactions are **exclusive** of the transactions pertaining to all tax liabilities of the bank.

**Signature, Name, Registration No. and address  
of the Chartered Accountant**