

RBI/2005-06/105

DGBA.GAD. (MC) No.564/31.12.010/2005-06

August 10, 2005

All Agency Banks

Dear Sir,

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

Reserve Bank of India has been issuing various instructions on Agency Commission from time to time. In order to enable Agency banks to have the current operative instructions on the subject at one place, a Master Circular prepared by us is enclosed. You may also access the circular in our website www.rbi.org.in

2. Please acknowledge receipt.

Yours faithfully,

(Girish Kallianpur)
Deputy General Manager

Agency Commission

As you are aware, the agency banks were being paid a commission of 11.80 paise per Rs.100/- of Government transactions based on the total volume of receipts and payments. It has now been decided to prescribe the rates of agency commission payable to banks as under based on number of transactions

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|----|-----------------------------|------|-------------------------|
| a) | Receipts | | Rs.45/- per transaction |
| b) | Payments other than pension | | Rs.50/- per transaction |
| c) | Pension payments | | Rs.60/- per transaction |

2. The above rates will be effective in respect of transactions from July 1, 2005 and onwards. The date of realization of cheque/draft etc. as also deposit of cash will be treated as the date of transaction. A review of the rates will be taken up by end-March 2006. Based on the review, the agency commission rates may be revised either upwards or downwards depending on the analysis thereof.

3. As the agency commission is payable on per transaction basis, you are advised to maintain necessary records for claiming such commission which shall be made available to Reserve Bank or its authorized agencies for verification at any point of time. For calculating the number of transactions, the daily branch scroll rendered to the Government Accounting authorities will be reckoned. Transactions reported in the 'Error scrolls' shall not be eligible for agency commission. The instructions issued by us in regard to the bank's own statutory liability for recovery/payment of various taxes as an assessee remain unchanged. Prescribed certificate to this effect should be furnished by the banks while claiming the commission.

4. As regards continuance of payment of agency commission in regard to Public Provident Fund (PPF) transactions, a separate review has been taken up in consultation with Government of India. A detailed communication will follow in this regard.

5. It may be carefully noted that quality of service rendered by agency banks will be monitored by RBI with special emphasis on service rendered by banks to pensioners.

Government transactions eligible for Agency Commission

6. The following transactions will be eligible for agency commission

- Revenue receipts and payments on behalf of the Central/State Governments
- Pension payments in respect of Central Government and State Governments.
- Payments made by banks to account holders under Compulsory Deposit Scheme (ITP)
- Special Deposit Scheme(SDS) 1975, Public Provident Fund(PPF)
- Any other item of work specifically advised by Reserve Bank as eligible for Agency Commission (viz Relief Bonds/ Savings Bonds etc. transactions)

7. It is further clarified that short term/long term borrowings of State Governments raised directly from financial institutions and banks etc. are not eligible for agency commission as these transactions are not entered into by banks as RBI agents. Reserve Bank pays the agency banks separate remuneration as agreed upon for acting as agents for management of public debt. We reiterate that transactions arising out of Letter of Credit (L/C) opened by banks on behalf of Ministries/Departments etc will not qualify for Agency Commission.

(DGBA.GAD.No.H-2625/31.12.010(C)/2004-05 dated December 17, 2004)

8. 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 those 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 it has been excluded while claiming Agency commission.

**(DGBA.GAD.No.H-3613/31.12.010(C)/2004-05 dated January 13, 2005
& DGBA.GAD.No.H-1225/31.12.010(C)/2004-05 dated October 27, 2004
DGBA.GAD.No.H-41/31.12.010(C)/2004-05 dated July 22, 2004)**

Deduction of TDS on Agency Commission

9. 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. But, it is reiterated that Agency Commission would be taxable in the hands of the banks concerned as it is part of the bank's income.

(DGBA.GAD.No. H-190/31.12.010/2003-04 dated September 14, 2003)

List of circulars consolidated in the master circular

Sr.No	Circular No	Date	Subject
1	(DGBA.GAD.No. 379 /31.12.010(C)/2005-06	July 25, 2005	Conduct of Government Business – Agency Commission
2	DGBA.GAD.No.H-2625/31.12.010(C)/2004-05	December 17, 2004	Remuneration for conduct of Government Business by Agency Banks – Payment of Turnover Commission
3	DGBA.GAD.No. H-190/31.12.010/2003-04	September 14, 2003	TDS on TOC will not be effected by RBI
4	DGBA.GAD.No.H-3613/31.12.010(C)/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)
5	DGBA.GAD.No.H-1225/31.12.010(C)/2004-05	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
6	DGBA.GAD.No.H-41/31.12.010(C)/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