

RBI/2006/77

DGBA.GAD.No. 1052/31.12.010/2006-07

July 19,2006
Aashadha 28 ,1928(S)

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 payable to banks from time to time. These instructions were conveyed in our master circular RBI/2005-06/105 (DGBA.GAD. (MC) No.564/31.12.010/2005-06) August 10, 2005. We now enclose an updated master circular incorporating important instructions issued on the subject from time to time. You may also access the circular in our website www.rbi.org.in

2. Please acknowledge receipt.

Yours faithfully,

(M.T. Varghese)
General Manager

MASTER CIRCULAR ON AGENCY COMMISSION

Revised Rates

The rates of agency commission payable to agency banks have been revised from turnover (value) basis to transaction basis w.e.f. July 01, 2005 vide our circular [RBI/2005-06/77 (DGBA.GAD. No. 379/31.12.010 (C)/2005-06) dated July 25, 2005]. A review in this regard was made on the basis of representations received from the banks. Accordingly, it has been decided to modify the rates as below which would be effective from July 01, 2005 :

- | | | | |
|----|-----------------------------|------|--------------------------------|
| a) | Receipts | | Rs.45/- per transaction |
| b) | Payments other than pension | | 9 paise per Rs. 100/- turnover |
| c) | Pension payments | | Rs.60/- per transaction |

[RBI/2005-06/384 (DGBA. GAD. No.17585/31.12.010 (C)/2005-06) dated May 8, 2006]

2. As the agency commission on receipts and pension payments is payable on per transaction basis, agency banks 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. Transactions in regard to bank's own statutory liability for recovery/payment of various taxes as an assessee will not qualify for payment of agency commission. Prescribed certificate to this effect should be furnished by the banks while claiming the commission.

3. As regards continuance of payment of agency commission in regard to Public Provident Fund (PPF) transactions, a separate communication will follow.

4. 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.

[RBI/2005-06/77 (DGBA.GAD.No. 379 /31.12.010(C)/2005-06) dated July 25, 2005]

Government transactions eligible for Agency Commission

5. 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)

6. 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 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. 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.

[RBI/2004/305 (DGBA.GAD.No.H-2625-2658/31.12.010(C)/2004-05) dated December 17, 2004]

7. 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 it has been excluded while claiming Agency commission.

[RBI/2004/64 (DGBA.GAD.No.H - 41/42.02.001/2003-04) dated July 22, 2004]

[RBI/2004/248(DGBA.GAD.No.H-1225-1258/42.02.001/2004-05) dated October 27, 2004]

[RBI/2004-05/344 (DGBA.GAD.No.H-3613/42.01.001/2004-05) dated January 13, 2005]

8. Deduction of TDS on Agency Commission

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. It is, however, 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)

9. Format for claiming agency commission by banks

A format for claiming agency commission by all agency banks has been devised. Further, a separate format for claiming agency commission on account of payment of interest and/or redemption value in respect of Relief Bond/Saving Bond has also been devised. Agency banks are required to submit their claims for agency commission in the prescribed format.

[RBI/ 2005/147 (DGBA. GAD. No. H-751/31.12.010 (C)/2005-06) dated August 30, 2005

DGBA. GAD. No. H-19378/31.12.010 (C)/2005-06 dated June 6, 2006]

State Bank of India is required to submit their claim in the format prescribed vide our letter DGBA. GAD. No. H-754/31.12.010 (C)/2005-06 dated August 30, 2005 as amended vide circular dated June 6, 2006 referred to above.

10. Agency Commission claims submitted by agency banks – common irregularities

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 information certified by their internal/ concurrent auditor. Agency banks will be liable to pay penal interest at Bank rate (as notified by RBI as on 1st May and 1st November each year) plus 2% for any wrong claims of agency commission settled.

[RBI/2005/193 (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]

11. Agency Commission on Special Deposit Scheme

The transactions under SDS-1975 are eligible for agency commission on par with 'Payments other than pension'. As such, agency banks are eligible for agency commission at the rate of 9 paise per Rs. 100 turnover 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 payment at annual rates and
- c) closure of account as provided for in the Scheme.

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

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.	RBI/2004/64(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.	RBI/2004/248(DGBA.GAD.No.H-1225-1258/42.02.001/2004-05)	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
4.	RBI/ 2004/305 (DGBA.GAD.No.H-2625-2658/31.12.010 (C) /2004-05)	December 17, 2004	Remuneration for conduct of Government business by agency banks – Payment of Turnover Commission
5.	RBI/2004-05/344 (DGBA.GAD.No.H-3613/42.01.001/2004-05)	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.	RBI/2005-06/77(DGBA.GAD.No. 379/31.12.010(C)/2005-06	July 25, 2005	Agency Commission-Revision of rates
7.	RBI/2005/147 (DGBA.GAD. No. H-751/31.12.010 (C) 2005-06) DGBA. GAD.No. H-19378/ 31.12.010(C)/ 2005-06	August 30, 2005 June 6, 2006	Format for claiming agency commission by banks
8.	RBI/ 2005/193 (DGBA.GAD. No. H 4530 /31.12.010 (C) 2005-06) DGBA.GAD. No. H-11136/31.12.010(C) /2005-06 DGBA.GAD. No. H-13118/31.12.010 (C) /2005-06	October 27, 2005 January 31, 2006 March 2, 2006	Agency Commission claims submitted by agency banks – common irregularities
9.	DGBA.GAD. No. H-11794/31.12.010(C)/2005-06	February 13, 2006	Agency Commission on Special Deposit Scheme
10.	RBI/ 2005-06/384 (DGBA.GAD.No.17585/ /31.12.010	May 8, 2006	Conduct of Government Business – Agency Commission-

