



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2015-16/81

DGBA.GAD.No.2/31.12.010/2015-16

July 1, 2015

(As updated on January 21, 2016)

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/2014-15/109 dated July 1, 2014](#) on the above subject. We have now revised and updated the Master Circular which consolidates important instructions on the subject issued by the Reserve Bank of India till June 30, 2015.

2. A copy of the revised Master Circular is enclosed for your information. This circular may also be downloaded from our website www.mastercirculars.rbi.org.in.

Yours faithfully

(G. Sreekumar)
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 ।
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MASTER CIRCULAR ON AGENCY COMMISSION

Introduction

1. The 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. This Master Circular consolidates the instructions contained in the circulars listed in Annex 1.

Government transactions eligible for agency commission

2. Transactions relating to the following government business undertaken by agency banks are eligible for agency commission:

- (a) Revenue receipts and payments on behalf of the Central/State Government
- (b) Pension payments in respect of Central / State Governments
- (c) Special Deposit Scheme (SDS) 1975
- (d) Public Provident Fund (PPF) Scheme, 1968
- (e) Senior Citizen Savings Scheme (SCSS), 2004
- (f) Kisan Vikas Patra, 2014 and Sukanya Samriddhi Account
- (g) Any other item of work specifically advised by Reserve Bank as eligible for agency commission (viz. Relief Bonds/ Savings Bonds etc. transactions)

3. 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 Letters of Credit opened by banks on behalf of Ministries/Departments etc. do not qualify for agency commission.

4. 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.

5. 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 above.

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

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 them have been excluded while claiming agency commission.

In this connection, it is clarified that the following activities do not come under the purview of agency bank business and are therefore not eligible for payment of agency commission.

(a) Furnishing of bank guarantees/security deposits, etc through private sector banks by government contractors/suppliers, which constitute banking transactions undertaken by banks for their customers.

(b) The banking business of autonomous/statutory bodies.

(c) Payments of a capital nature such as capital contributions/subsidies/grants made by governments to cover losses incurred by autonomous/statutory bodies.

(d) Prefunded schemes which may be implemented by a Central Government Ministry/Department (in consultation with CGA) and a State Government Department through any bank without reference to RBI.

Rates for agency commission

8. As per paragraph 5 of the agency bank agreement, RBI pays agency commission at rates determined by it. The rates applicable with effect from July 1, 2012 are as under:

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

9. In this context, the 'Receipts-e-mode transactions' indicated against Sr. No. a.(ii) in the above table 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.

10. Agency banks would be eligible to claim agency commission for pension transactions at the rate of ₹ 65/- per transaction only when the entire work relating to disbursement of pension including pension calculation is attended to by them. 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 categorised 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.

11. Turnover commission is payable to an agency bank at the full rate provided the transactions are handled by the bank at all stages. Where, however, the work is shared between two banks, the turnover commission is shared between the banks in the proportion of 75:25. Thus, broadly, the turnover commission is payable to the agency banks as detailed below:

- (a) At the full rate, in cases where the transactions are handled by the bank at all stages, i.e., up to the stage of dispatch of scrolls and challans / cheques to the Pay and Accounts Offices, and treasuries/sub-treasuries.
- (b) At 75% of the applicable rate, where the dealing branch is required to account for the transaction by passing on the scrolls and documents to the local/nearest branch of Reserve Bank of India or any agency bank conducting government business.
- (c) At 25% of the applicable rate, in the case of agency branch which received the scrolls and documents from dealing branches of other banks and is responsible for the accountal of these transactions and dispatching of the scrolls and documents to the Pay and Accounts Offices, Treasuries, etc.

12. The number of transactions eligible for payment of agency commission should not exceed 14 per pensioner per year. This includes one monthly credit for payment of net pension and a maximum of two per year for payment of arrears on account of increase in dearness relief, if applicable. Cases involving payment of arrears on account of late start/restart of pension qualifies as a single transaction for claiming of agency commission. In other words, any payment of arrears on account of late start/restart of pension should be treated as a single credit transaction and not as separate monthly credits.

Claiming agency commission

13. Agency banks are required to submit their claims for agency commission in the prescribed format to CAS Nagpur in respect of Central government transactions and the respective Regional Office of Reserve Bank of India for State government transactions. 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 given in Annex-2. 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.

14. Where the External Auditor is also the Concurrent Auditor / Statutory Auditor, claims can be certified by such Concurrent Auditor / Statutory Auditor. The 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.

15. 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. Agency banks may also alert their branches concerned to ensure that agency commission claims submitted to our Regional Offices are accurate. 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.

Deduction of TDS on Agency Commission

16. Central Board of Direct Taxes (CBDT) has 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 Governments'. However, agency commission would be taxable in the accounts of banks concerned as it is part of the bank's income.

Penal interest for wrong claims

17. 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.

List of circulars consolidated in the Master Circular

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.	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.	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.	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-4530/31.12.010(C)/2005-06	October 27, 2005	Agency Commission claims submitted by agency banks – common irregularities
7.	DGBA.GAD.No.H-11136/31.12.010(C)/2005-06	January 31, 2006	Agency Commission claims submitted by agency banks – common irregularities
8.	DGBA.GAD.No.H-11794/31.12.010(C)/2005-06	February 13, 2006	Agency Commission on Special Deposit Scheme
9.	DGBA.GAD.No.H-13118/31.12.010(C)/2005-06	March 2, 2006	Agency Commission claims submitted by agency banks – common irregularities
10.	DGBA.GAD.No.H.13034/31.12.010(C)/2006-07	February 27, 2007	Agency Commission on pension transactions

11.	DGBA.GAD.No.H-14024/31.12.010/2006-07	March 16, 2007	Agency Commission towards Public Provident Fund Scheme, 1968 (PPF) and Senior Citizen Savings Scheme 2004 (SCSS)
12.	DGBA.GAD.H-1800/31.12.010(C)/2009-10	August 21, 2009	Abnormal increase in agency commission claims
13.	DGBA.GAD.H-3903/31.12.010(C)/2009-10	November 11, 2009	Agency Commission claims to be certified by the External Auditor / Chartered Accountant
14.	DGBA.GAD.No.H.160/31.12.010(C)/2010-11	July 7, 2010	Agency Commission claims to be certified by the External Auditor
15.	DGBA.GAD.No.H-670/31.12.010(C)/2010-11	March 24, 2011	TDS on Agency Commission will not be effected by RBI
16.	DGBA.GAD.No.H-8852/31.12.010(C)/2010-11	June 21, 2011	Payment of agency commission on collection of Registration fee and Stamp Duty
17.	DGBA.GAD.No.7575/31.12.011/2011-12	May 22, 2012	Agency Commission on pension transactions
18.	DGBA.GAD.No.H.2529/31.12.010(C)/2012-13	October 31, 2012	Conduct of Government Business by Agency Banks – Payment of Agency Commission – Revised Format for claiming agency commission by banks-Implementation of Working Group recommendations
19.	DGBA.GAD.No.H-2995/31.12.010/2014-15	January 7, 2015	Payment of agency commission – Certification of claims by external auditors
20.	DGBA.GAD.No.14/15.02.003/2015-16	July 2, 2015	Kisan Vikas Patra, 2014 and Sukanya Samriddhi Account
21.	DGBA.GAD.No.617/31.12.010(C)/2015-16	August 13, 2015	Conduct of Government Business by Agency Banks – Payment of Agency Commission
22.	DGBA.GAD.No.1636/31.12.010/2015-16	November 10, 2015	Payment of agency commission – Certification of claims by external auditors
23.	DGBA.GAD.No.2278/31.12.010/2015-16	January 21, 2016	Payment of Agency Commission on pension accounts

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

PART I – DETAILS OF THE BANK				
Name of the bank	:			
Address of the office submitting claim	:			
Accredited for (Name of the Govt. Department)	:			
Activities undertaken	:			
PART II – DETAILS OF CLAIMS				
Particulars	No. of transactions		Amount in Rs.	
	Physical	Electronic	Physical	Electronic
1. Gross Receipts				
2. Less				
(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)				

(Item wise details to be furnished)				
I.A Net Receipts				
II. Payments other than pension				
Less				
(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 (like payment under LC transactions etc.) (Item wise details to be furnished)				
II.A Net Payments other than pension				
III. Total Pension Payments				
Less				
(a) Payments under Pension schemes, other than those meant for Central / State Govt. employees				
(b) Error scroll transactions				
III.A Net Pension Payments				
IV. Total (IA+IIA+IIIA)				
V. (i) No. of Pension Accounts _ Beginning of quarter				
(ii) No. of pension accounts at the end of the quarter				

**** 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 transaction i.e.X..... =

E-receipts @ ₹ 12/- per transaction i.e.X..... =

Pension Payments @ ₹ 65 /- per transaction i.e.X..... =

Payments other than pension @ 5.5 paise per ₹ 100 turnover i.e.X..... =

Total claim =

(₹)

Signature, Name and Designation of authorised 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 monthwise breakup of eligible pensioner’s account available with us is as per the table below, and 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

<i>Sr. No.</i>	<i>Month</i>	<i>No. of Pensioners</i>
1		
2		
3		

*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 Govt. 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 monthwise breakup of eligible pensioner’s account available with us is as per the table below, and 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.

<i>Sr. No.</i>	<i>Month</i>	<i>No. of Pensioners</i>
1		
2		
3		

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