TEMPLATE

Commission Agreement

This is a template, not legal advice

This document is a general-purpose template provided for information only. It is not legal advice, it does not create a lawyer–client relationship, and nobody has reviewed it against your situation.

Laws differ by country, state and province, and they change. A clause that is standard in one place can be unenforceable — or illegal — in another. Terms that are ordinary between two businesses can be void in a consumer or employment context.

Read every clause before you use it, fill in every blank, and delete anything that does not apply. For anything high-value, unusual, or that you could not afford to lose a dispute over, have a qualified lawyer in your jurisdiction review it before it is signed.

How to use this template

1. Read it end to end and delete any clause that does not apply to you. Blanks are shown as a grey label on a line.
2. Need the other party to sign too, with an audit trail and a tamper-evident seal? That is what the paid product does.

Commission Agreement

This Commission Agreement (this "Agreement") is made on [Date] between [Company's full legal name] of [Company's address] (the "Company") and [Sales Representative's full legal name] of [Sales Representative's address] (the "Representative"). Each is a "Party" and together they are the "Parties".

The Company wishes to engage the Representative to sell its products or services, and to compensate the Representative wholly or partly through commission on sales the Representative generates. This Agreement sets out how commission is earned, calculated and paid, and how it is treated if a sale is later reversed or the engagement ends.

1. Appointment and Duties

The Company appoints the Representative to solicit and close sales of [Describe the products or services being sold, e.g. the Company's software subscriptions] (the "Products") within [Territory or assigned accounts, e.g. the United States and Canada, or "no defined territory — all accounts the Representative develops"] (the "Territory"), on a ["exclusive" or "non-exclusive"] basis.

The Representative shall use reasonable efforts to promote and sell the Products, follow the Company's pricing, discounting and sales policies as the Company updates them from time to time, and not make any representation about the Products beyond what the Company authorizes in writing. [State any minimum sales quota, or write "This Agreement sets no minimum sales quota."]

2. Relationship of the Parties

The Representative acts under this Agreement as ["an employee of the Company" or "an independent contractor engaged by the Company"]. If the Representative is an independent contractor, the Representative controls the manner and means of its own work, is not entitled to employee benefits, and is solely responsible for its own taxes, insurance and business expenses; the Company does not withhold or pay employment taxes on the Representative's behalf in that case.

Nothing in this Agreement creates a partnership, joint venture, or an agency relationship broader than the authority to solicit and accept orders that clause 1 gives the Representative. The Representative may not bind the Company to any contract, discount or warranty beyond what the Company authorizes in writing.

3. Compensation Structure

Commission calculated under clause 4 is the Representative's ["sole" or "primary"] compensation for the Products.

[State any base salary, hourly wage or retainer, or write "None — commission-only"]

Any base compensation stated above is paid on the Company's regular payroll or invoicing schedule and is separate from commission — it is not reduced, advanced against, or offset by commission except where this Agreement expressly says so.

4. Commission Rate and Formula

The Company shall pay the Representative commission on each Qualifying Sale (defined in clause 5). The rate may be a flat percentage, a formula that rises with sales volume, or a flat amount per unit; whichever applies, state it in full: [Commission rate and formula, e.g. "8% of Net Sales Price per sale"] .

"Net Sales Price" means the amount invoiced to the customer for the Product, less [Deductions from the commission base, e.g. sales tax, shipping and handling, and any discount given within the Representative's authority] . Where the rate stated above is a flat amount rather than a percentage, that flat amount applies instead of this definition.

Commission accrues separately for each Qualifying Sale as it qualifies. A quota stated in clause 1, if any, does not by itself reduce or forfeit commission already earned unless clause 1 or the rate above expressly ties the rate to reaching that quota.

5. Qualifying Sales

A sale does not earn commission merely because the Representative introduced the customer, negotiated terms, or otherwise worked on the account — it must become a "Qualifying Sale" as defined in this clause.

A sale becomes a Qualifying Sale only once all of the following occur:

(a) the customer has signed an order, contract or purchase order for the Product that the Representative substantially and directly helped obtain;

(b) the sale is within the Representative's Territory and assigned accounts, or the Company has approved it in writing as a house-account exception;

(c) the Company has accepted the order under its normal credit and approval process; and

(d) [State the payment trigger, e.g. "payment in full" or "the signed order alone"] .

6. Commission Statements and Payment Timing

Commission is calculated for each [Commission period, e.g. calendar month] (a "Commission Period"). Within [Statement period, e.g. fifteen (15) days] after each Commission Period ends, the Company shall give the Representative a statement listing the Qualifying Sales in that period, the rate applied, and the amount payable, and shall pay the commission due [Payment timing, e.g. "together with the statement" or "on the Company's next regular payroll date"] .

The Representative shall raise any dispute with a statement in writing within [Dispute period, e.g. thirty (30) days] of receiving it. A statement not disputed within that period is final between the Parties, without limiting the Representative's rights under clause 13 (Recordkeeping and Audit).

7. Draw Against Commission

A draw is an advance paid against commission the Representative has not yet earned. [State whether a draw applies, e.g. "$3,000/month against future commission" or "None"] .

Where a draw applies, the Company shall deduct the draw paid in a Commission Period from the commission the Representative earns in that and later Commission Periods, until the draw is fully recovered. [State the treatment of an unrecovered balance, e.g. "forgiven at termination" or "repayable within 30 days"] .

8. Chargebacks and Refunds

If a customer cancels an order, returns a Product, receives a refund, or fails to pay an invoice within [Non-payment period, e.g. ninety (90) days] of its due date, so that a Qualifying Sale is reversed in whole or in part (a "Reversed Sale"), the commission the Representative was paid or credited on that sale becomes a "Chargeback".

The Company may recover a Chargeback by deducting it from commission the Representative earns in the same or a later Commission Period or, if insufficient commission remains payable to the Representative, by invoicing the Representative directly — in which case the Representative shall pay the invoice within [Repayment period, e.g. thirty (30) days] .

A Chargeback applies only to a Reversed Sale occurring within [Chargeback window, e.g. twelve (12) months] of the original sale date. The Company waives any right to claw back commission on a reversal occurring after that window, and shall notify the Representative in writing of each Chargeback and the sale it relates to.

9. Excluded Sales and Split Commissions

No commission is payable on: sales the Company designates in writing as house or key accounts before the Representative's involvement; sales made at a discount beyond the Representative's authority without the Company's prior written approval; internal transfers, samples, or Products supplied at no charge; and sales to the Representative or to an entity the Representative controls, unless the Company approves the sale in writing in advance.

Where more than one Representative substantially contributed to a single Qualifying Sale, the Company shall determine the split between them, acting reasonably and consistently with any written split-commission policy it has adopted, and shall notify each affected Representative of the resulting split.

10. Commissions on Termination

On termination of this Agreement for any reason, the Company shall pay the Representative all commission earned on Qualifying Sales completed before the termination date, on the ordinary schedule in clause 6, subject to any Chargeback that later arises under clause 8.

A sale that has not become a Qualifying Sale as of the termination date does not earn commission, except that a sale the Representative substantially and directly obtained before termination which becomes a Qualifying Sale within [Tail period, e.g. sixty (60) days] of termination remains commissionable at the rate in effect on the termination date (a "Tail Commission"). [State whether cause forfeits it, e.g. "No, if for cause" or "Yes, regardless of reason"] .

Any unrecovered draw balance is treated as clause 7 states. Termination under this clause does not affect commission that was earned and payable before the termination date.

11. Confidentiality

"Confidential Information" means non-public information the Company discloses to the Representative, or that the Representative learns or creates in the course of this engagement, including customer and prospect lists, pricing, sales pipeline and forecast data, commission rates and statements, and the terms of this Agreement.

The Representative shall keep Confidential Information strictly confidential, use it only to perform this Agreement, and not disclose it to a third party during this Agreement or after it ends, except to the extent required by law, a court, or a regulator, having first notified the Company where lawful and practicable.

12. Term and Termination

This Agreement takes effect on the date above and continues until ended under this clause.
[State the termination mechanism, e.g. "either party may end it on 14 days' notice" or "at will, any time"] .

The Company may end this Agreement immediately, without notice, if the Representative commits a material breach of this Agreement, engages in fraud or misrepresentation toward a customer, or materially violates the Company's sales policies.

13. Recordkeeping and Audit

The Company shall keep records of sales, commission calculations and Chargebacks relevant to this Agreement for at least [Record retention period, e.g. three (3) years] after the Commission Period they relate to, and shall make the records reasonably available to the Representative, on written request, to verify a commission statement.

14. Governing Law and Jurisdiction

This Agreement and any dispute arising out of it are governed by the laws of [Governing law, e.g. the State of Delaware] . The Parties submit to the exclusive jurisdiction of the courts of [Jurisdiction] .

15. General

This Agreement is the entire agreement between the Parties about the Representative's commission compensation and replaces any earlier proposal or understanding on that subject. It may only be amended in writing signed by both Parties.

Neither Party may assign this Agreement without the other's written consent, except to a successor to substantially all of its business. If any provision is held unenforceable, the rest continues in force. A failure to enforce a provision is not a waiver of it.

This Agreement may be signed in counterparts and by electronic signature, each of which is an original and all of which together form one agreement.

In agreement with the terms above, the parties have signed below on the dates written beside their signatures.

Company

Signature: ______________________________

Printed name: ______________________________

Company: ______________________________

Title: ______________________________

Date: ______________________________

Sales Representative

Signature: ______________________________

Printed name: ______________________________

Date: ______________________________