Click to verify

What is a Commission Agreement? A commission agreement is a written agreement between a business organization and an individual. The business possesses services or goods for sale, while the individual markets the services or goods on its behalf. The company promises to compensate the individual through a commission, which is a fee for every successful business transaction that increases company sales. There are two basic types of commission arrangements: sales and real estate commission agreements. A sales commission contract lays out the payment details a company has to pay to a salesperson, where a salesperson can be an employee or independent contractor. A real estate commission contract is an arrangement between a seller and an agent, where the seller agrees to give an agent a portion of the sales once a buyer purchases his property. The Different Forms of Sales Commission Every company needs to have a sales commission structure that increases its profitability. According to Forbes, in 2016, there were about 5.7 million sales representatives in the United States, which means that more and more people are seeing the benefit of getting into a career that focuses on sales. The following are different forms of sales commissions a company can take advantage of. Straight Commission. In this type of plan, the sales representative collects his commission directly from the sales. This means that a salesperson can earn as much as he desires depending on the outcome of his efforts. Typically, the company offers a high commission rate because it is not under obligation to pay for a base wage. Therefore, the sales representative has full control of his/her income, and he can work flexibly or overtime if he wants to earn more. Mostly, straight commission representatives are independent contractors. For that reason, the company can save some money since it doesn't have to pay for the contractor's taxes and benefits.Base salary plus commission. This is one common type of commission arrangement that most companies use. A company may choose to pay on a monthly or hourly basis. This structure puts pressure both on the employer and the sales agent. The company is responsible for paying an agent a base salary and a commission for every sale. Most of the time, the commission a salesperson gets is more than his base salary. For that reason, sales representatives usually rely on their commissions more than their salaries to get enough income. The good thing about this structure is when the market slows down, an agent can still rely on his/her salary to get by.Revenue Commission. This model applies to both types of commission structures mentioned above, this is what sets a company's commission rate. This is a popular model that field business organizations use because of the kind of products they sell. For example, if an agent sells a $2,000 worth of service, he will get a 10% commission. Several businesses choose this type of method because their goal is to increase market share and expand their market territory. Their initial focus is not on profit but greater business aims. Paying a sales representative based on this model is fair enough for both the company and the sales representative. Top performers earn more and idle agents earn less or even none.Gross margin commission. A model that is slightly different from the revenue model, a gross margin commission considers the cost of the product a sales agent sells. Instead of earning a portion of the sales revenue, the sales representative only gets a portion of the profit. For example, an agent sells an item for $2000 and its cost is $1200, the agent will only collect a percentage for the $800 profit. For that reason, a sales agent will choose to sell the product at a higher price to receive more incentive. Therefore, they can't afford to offer discounts since it will affect their pays.Draw against commission. In this type of model, a salesperson is guaranteed a specific amount of payment monthly, regardless of his/her sales. If the commission is lesser than the draw money, the sales representative will still keep the commission and draw amount. Additionally, he will also receive the result of deducting the commission from the draw amount. For example, an agent is entitled to get a $3000 draw and earns $2000 as his commission, he gets to keep both incentives with an additional $1,000. Unfortunately, these draw payments must be repaid by the salesperson. The draw against commission models tend to be complex, and sales representatives will have a hard time predicting their income.Tiered Commission. To motivate salespeople, companies often use this model to reward sales performers. Every time a salesperson reaches a sales quota, his commission rate changes. For example, an agent may obtain a 3% commission on sales that range from $10,000 to $20,000. Once he passes over that mark, he can earn a 5% commission on sales that range from $20,000 to $25,000, and so on. The same applies to underperformers, who will receive less monetary compensation if they cannot reach their quota. For example, a sales agent who only achieved 80% of his quota will only receive a commission out of his 80% sales.Base rate alone. Only very few business organizations use this type of model. Instead of getting a commission for every sale, a salesperson receives payment at an hourly rate. It is similar to being employed. Companies who use this model, don't offer incentives, therefore salespeople are often unmotivated to sell more. It doesn't encourage, even sales performers, to do their best. Both top performers and underperformers receive the same compensation regardless of their efforts. Nevertheless, companies whose focus is on inbound sales choose to use this model because sales representatives spend more of their time supporting the company rather than selling. How to Construct a Sales Commission Agreement Sample A sales commission agreement can be between a company and an employee, or it can be between a company and an independent contractor. The contract outlines the payment structure and the relationship between the two parties involved. The following are steps on how to construct a sample of a sales commission contract. Step 1: Write a Statement of Authorization An authorization statement permits the salesperson to sell the services or products of a company or employer. In this section of the contract, the employer specifies the limits of selling. A salesperson will only be permitted to sell within the bounds of the company's territories. Moreover, the document should clearly state that a sales agent is prohibited from rebranding their products for selling. Step 2: Include an Agreement Concerning Sales Documentation The sales representative must agree to use documentation tools approved by the company to keep a record of his sales. This allows the company to estimate its return on investment and revenue, receive accurate sales reports, increase productivity, improve its campaigns, and more. Tools for documentation may include forms, software, CRM databases, etc. Step 3: Protect Confidential Information Insert a non-compete and non-disclosure clause to protect confidential information. A non-compete clause prohibits a sales representative from working or selling for a competitor for a specific period after completing a contract with his previous employer. A non disclosure agreement refrains an employee from sharing a company's intellectual property, such as patents and trade secrets. Step 4: Detail the Commission Structure This is the heart of the agreement. In this section of the contract, both parties must clearly understand the structure of compensation. The agreement should address the questions: What are the terms for obtaining commission? When will the sales agent receive his commission? What are the consequences in case a buyer cancels a transaction, asks for a refund, or doesn't pay? Step 5: Finalize the Agreement In this last section of the agreement, a statement that makes both parties agree to the conditions of the agreement is written. By dating and signing the contract, the employer and sales representative become bound to the agreement. Also, don't forget to add the governing law and arbitration clause to regulate the contract. FAQs The following are sales jobs that will help you, as a beginner, to begin your sales career. (1) Purely commission-based job positions. This will help you strengthen your passion for selling since you have no base salary to rely on. (2) Inside sales. This can be a good training ground for you. It involves dialing more than a hundred people a day just to sell a service or product. (3) Insurance sales. This allows you to develop your skills in prospecting clients, presenting policies, and closing a deal. According to CNBC, there are six high-paying sales jobs in the United States: (1) a sales engineer with a salary ranging from $68,000 to $185,000, (2) a software sales agent with a salary ranging from $50,000 to $141,000, (3) a realtor with a salary ranging from $27,000 to $111,000, (4) a pharmaceutical sales representative with a salary ranging from $52,000 to $84,000, (5) a medical device sales agent with a salary ranging from $38,000 to $87,000, and (6) a recruiter with a salary ranging from $37,000 to $77,000. There are two main advantages of a commission type of pay. First, it motivates your employees to work competitively, and second, it helps a company manage its payroll expenses effectively. Note that professionals who are highly talented in marketing and sales get more from their commission than basic salaries. If you are a person with a passion for entrepreneurship, then a career in commission sales may be for you. Here are some tips to help you improve your sales: (1) Search for a potential product to market. (2) Clearly define and know your prospects or target market. (3) Learn to manage your time and money. Yes, commissions are taxable. Commissions are normally a part of an employee's regular pay, therefore, they are taxable. Note that state and federal taxes along with FICA taxes are withheld from commission payments. On the other hand, for independent contractors, commissions are directly given to them. Since the individual is not under employment, income tax and FICA taxes are not withheld in this matter. A commission agreement protects the rights of a salesperson to receive a commission, and at the same time, it protects the trade secrets of a company. If you are not yet confident enough to construct a commission agreement, you can download one of our printable contracts above. If you decide to create one, you can ask help from a lawyer to ensure that the document is enforceable. Jul 01, 2024 A commission agreement can be defined as a type of contract in which a person or a company act as a basic sales agent on behalf of the main entity, by introducing its products to potential interests customers in the market. This would be in exchange for commission based on the value of the business. Service Agreement Templates Lease Agreement Templates Agreement Template Bundle Download Now Commission Agreement Template Google Docs MS Word Pages Size: A4, US Download Now Provide, in complete detail, the commission you would like to receive from your employer relative to the amount of work and sales you have completed with the help of this agreement template. All you would have to do is download the template, edit, and customize to suit your preferences and requirements. Another added advantage is that this file is not just limited to a computer, but you can also download it with ease on any electronic device. Try it out now! Exclusive Solicitation Sales Commission Agreement Template Word Apple Pages Google Docs Size: A4, US Download Now Sample Commission Agreement Template Free Download deltadentalne.org If you want an experienced independent contractor then you should include the issues highlighted in the sample. The important sections are approval of agent, independent contractor, remittances, and duties of an agent. The next should be put into three categories and then lastly the individual and family like in a sample. For a wider selection of renters agreement templates, check out more options here. Commission Agreement Templates When you are doing business with a partner, you both need to have a Commission Agreement that states the terms of the agreement that should be abided by both the parties. Commission agreement is also useful when an employer is hiring an employee on a commission basis. It outlines the agreement terms and conditions an employee has to follow towards their employer. Find more professional agreement templates by visiting this link. Employers use this agreement to increase sales in their business. Sometimes, it works as "referrals" in which an individual or an employee is paid commissions for referring an employer's work to others. If you are an individual who is looking for ideas to create a Commission Agreement, then you can check out Commission Agreement Templates available online. Example Agent Commission Agreement Template Download ugpinc.com Agents are an efficient way of marketing and selling your produce. The example gives the important highlighted issues like commission, the authority to solicit, limitation of authority, relationship territory and others in the agreement. Free Sample Online Commission Agreement Template Download crk.umn.edu The sample shows sections in paragraphs and subparagraphs that are to be filled with details of the concerned parties. It can be easily used by companies that deal with online payments, registration, and employment. View a wider selection of marketing agreement templates right here. Sample Non-Disclosure Commission Agreement Template Download s3.amazonaws.com This is an example agreement between the buyer of the property and the broker of the deal. It should have the space for the names of the broker and buyer and also the percentage commission per sale amount. Check it out now! Example Commission Agreement Template Free Download businessdanmark.dk This sample of commission agreement, for salaried staff, subjects the employer and employee to give their signatures. There are many agreement templates in Google Docs that can be of great use to you. Just download, edit and customize the templates for your use. Sample Artists Commission Agreement Template Free Download carfac.sk.ca Example Sales Representative Commission Agreement Template repmatch.org It is legally needed for anyone who is hiring an artist to produce a written document before hiring one. This sample captures the background and the agreement between a company and an artist. Explore a variety of sales agreement templates here. Free Independent Contractor Commission Agreement megadox.com Engaging a salesperson to be a business salesperson is an added advantage. The agreement should specify the period example time to be contracted and the compensation together with the name of the parties and date. Check out more legal agreements templates available here. Sample Sales Agency Commission Agreement Template imda.org If you want an experienced independent contractor then you should include the issues highlighted in the sample. The important sections are approval of agent, independent contractor, remittances, and duties of an agent. You can take a look at these agreement format templates provided here. Example Agencies Commission Agreement Template dms.myflorida.com Some companies prefer a sales agency for their marketing. In the right way like writing the definitions, appointments, authority of representatives, etc. followed, it would be a cakewalk to get the sales agency to get them working for you. Check it out now! Browse through more agent agreement templates here. Sample Independent Contractor Agreement Template firstaffiliates.com Free Download Trading Commission Agreement Template cnpi.org.cn Conclusion: A commission agreement can also be used in the case of escrow agreements. To maintain an asset on behalf of the client, it is very necessary that one sign agreements. Check sample agreement templates for more details on how to make the perfect agreement of any kind. It is also important that you define the type of commission that the agent who is acting as a bridge in between receives from the client. This way, the client can choose the best solution for them while the agent will be sure to receive his/her commission with the agreed period. You can take the help of any of the agreements mentioned above, as they are very easy to use. All you would have to do is download the template of your choice, edit and customize it to match the idea you have in mind. Many of them can also be downloaded on not only the computer but also on any electronic device so that you can edit it on the go. There are many agreements in Pages, which can be of great help to you as well. General FAQs A commission c is a contract between an employer and an employee for the money paid for the job done. The agreement is helpful for both employer and employee as it outlines the details of all the work done. Terms include a definition of the expected employment and commission percentages and salaries if any. Looking for more insights? Dive into our blog post about landlord agreement templates. A commission agreement is where a person or a company acts as a sales agent on behalf of exporting the principal company, introducing its product to potential buyers in the market. This is done in exchange for commission based on the value of business deals arranged and paid to the principal company. View a wider selection of work agreement templates right here. A commission agreement can include the following details: The name and address of the business Mention the name of the agent/employee Commission-based payment details Terms include a definition of the expected employment Commission percentages and salaries Terms and conditions of the agreement Signatures, etc. There are many types of commissions that are used all over the world. Bonus commission, salary+ commission, variable commission, residual commission, graduated commission, etc. are some of the most important types of commission used all around the business world. It is also very important that one understands the commission plan in detail. You can take a look at these funding agreement templates provided here. Some of the uses of a commission agreement are: It details the goods/ services that need to be sold It allows the parties to sell goods legally It acts as proof of money paid for the goods/services It legally allows the parties to take equal profits/loss Helps understand the sales and money made, etc. This Commission Agreement (the "Agreement") is entered into ____________________ (the "Effective Date"), by and between ________________________, with an address of ____________________________ (the "Principal") and ________________, with an address of ____________________________, (the "Agent"), collectively "the Parties." BACKGROUND: Principal wishes to sell the following product(s): ____ Agent agrees to sell the aforementioned product(s) on behalf of the Principal for a commission. THEREFORE, the Parties agree as follows: Sales Authorization. The Principal authorizes the Agent to sell the following product(s) on behalf of the Principal ______________________________________ (the "Product"). Agent shall identify oneself as a duly authorized agent of the Principal for the sale of the Product. Guidelines for Sales. The Agent must adhere to the following guidelines when selling the Product: Product prices will be set by the Principal. Principal will provide all promotional materials for the Agent's use to obtain sales. Principal will provide a Sales Contract template to be used by the Agent in all Product sales. Term. This Agreement shall commence upon the Effective Date, as stated above, and will continue until ____________________. Sales Territory. The Agent shall sell the Product in the following geographical location ____ (the "Sales Territory"). The Agent is not authorized to sell the Product outside the Sales Territory. Commission Earnings and Payment Structure. The Parties agree the Agent will be compensated as follows (the "Commission"): ____ Principal-Agent Relationship. The Principal engages the Agent solely for the purpose of selling the product(s) listed in Section 1. The Agent may only enter into contracts and/or agreements on behalf of the Principal as it relates to the sale of said product(s). The Agent may not otherwise commit the Principal to any other obligations whatsoever without separate authorization from the Principal. Non-Compete. The Agent will not sell a competing product for any competitor in the Sales Territory during the Term of this Agreement or for ____ years after the termination of this Agreement. Confidentiality. During the course of this Agreement, it may be necessary for the Principal to share proprietary information, including trade secrets, industry knowledge, and other confidential information, to the Agent in order for the Agent to successfully sell the Product. The Agent will not share any of this proprietary information at any time. The Agent also will not use any of this proprietary information for the Agent's personal benefit at any time. This section remains in full force and effect even after termination of the Agreement by it's natural termination or the early termination by either party. Termination. This Agreement may be terminated at any time by either Party upon written notice to the other party. The Principal will be responsible for payment of all Commissions earned up to the date of termination. Upon termination, the Agent shall return all the Principal's content, materials, and associated work product, if applicable, to the Principal at its earliest convenience, but in no event beyond thirty (30) days after the date of termination. Representations and Warranties. Both Parties represent that they are fully authorized to enter into this Agreement. The performance and obligations of either Party will not violate or infringe upon the rights of any third-party or violate any other agreement between the Parties, individually, and any other person, organization, or business or any law or governmental regulation. Severability. In the event any provision of this Agreement is deemed invalid or unenforceable, in whole or in part, that part shall be severed from the remainder of the Agreement and all other provisions should continue in full force and effect as valid and enforceable. Waiver. The failure by either Party to exercise any right, power, or privilege under the terms of this Agreement will not be construed as a waiver of any subsequent or future exercise of that right, power, or privilege or the exercise of any other right, power, or privilege. Legal Fees. In the event of a dispute resulting in legal action, the successful Party will be entitled to its legal fees, including, but not limited to its attorneys' fees. Legal and Binding Agreement. This Agreement is legal and binding between the Parties as stated above. This Agreement may be entered into and is legal and binding both in the United States and throughout Europe. The Parties each represent that they have the authority to enter into this Agreement. Governing Law and Jurisdiction. The Parties agree that this Agreement shall be governed by the State and/or Country in which both Parties do business. In the event that the Parties do business in different States and/or Countries, this Agreement shall be governed by ________________ law. Entire Agreement. The Parties acknowledge and agree that this Agreement represents the entire agreement between the Parties. In the event that the Parties desire to change, add, or otherwise modify any terms, they shall do so in writing to be signed by both parties. The Parties agree to the terms and conditions set forth above as demonstrated by their signatures as follows: Principal Signed: ____________________________________ Name: ____________________________________ Date: ____________________________________ Agent Signed: ____________________________________ Name: ____________________________________ Date: ____________________________________ Commission Agreements are essential for businesses and individuals who earn through sales. EasyLegalDocs.com offers a downloadable template to simplify creating your own agreement. A Commission Agreement is a contract between a service provider and a client. It outlines how the service provider will be paid, usually based on a percentage of sales. These agreements are important because they ensure both parties understand how payment will be calculated and paid. This clarity helps prevent disputes and ensures a fair deal for everyone involved. A well-crafted Commission Agreement should clearly define several key elements to avoid confusion and protect all parties' interests. These include: Payment Structure: How the commission will be calculated and when it will be paid. Services Rendered: A detailed description of the services or products involved. Duration: The time period the agreement covers. Additionally, consider these points: Termination Conditions: Circumstances under which the agreement can be ended. Dispute Resolution: How any disagreements will be handled. Fixed commissions are pre-determined flat fees, while percentage-based commissions vary depending on the sales volume. Tiered structures incentivize higher sales volumes by increasing the commission rate as sales targets are met. Some agreements include recurring commissions for ongoing client relationships or subscriptions. Setting clear performance benchmarks helps align the interests of the service provider with the business goals. Using a Commission Agreement helps establish a transparent relationship between parties. It sets clear expectations and provides legal protection for both sides. Commission Agreements can also include non-compete clauses to protect business interests. Remember, this is a simplified guide. For a comprehensive and legally binding document, use the template from EasyLegalDocs.com or consult with a legal professional. Begin by entering the Effective Date of the agreement. This is the date from which the agreement becomes valid. For example, if the agreement is to start on March 1, 2024, you would fill in [EFFECTIVE DATE] with March 1, 2024. Replace [COMPANY NAME] and [COMPANY ADDRESS] with the official name and address of the company entering the agreement. Similarly, substitute [AGENT NAME] and [AGENT ADDRESS] with the full name and address of the agent. For instance, [COMPANY NAME] could be ABC Corporation and [AGENT NAME] could be John Doe. In the agreement section, clearly specify the product(s) or service(s) that the agent is authorized to sell. This should be a detailed description, replacing the long blank line in the template. For example, "home appliances including refrigerators, washing machines, and microwaves". Specify the duration of the agreement by replacing the blank line in the TERM section with a specific end date or period. For example, "December 31, 2024" or "12 months". Define the geographical area or territory in which the agent is allowed to sell the products. This is done in the GEOGRAPHY section. For example, "the state of California". In the COMMISSION EARNINGS section, describe the method and rate of commission earnings for the agent. This should include how and when the commission will be calculated and paid. For instance, "5% of all sales, paid monthly". Remember, each of these steps is crucial for the clarity and legality of the agreement. It's important to ensure all details are accurate and agreed upon by both parties before signing. Post navigation Get Contract (FREE) There are three simple steps that you need to follow in order to get the most out of the commission agreement template. As you may think, the first step is to get a copy of the template – get yours for free right now by clicking one of the three buttons at the top of this page. Then, simply edit the document by getting rid of all the blank spaces. Lastly, attach your eSignature to the document and send it to the other party. Download the template by clicking the buttons at the top of this page. Pick your favourite format! Fill in the blanks and double-check all of the information. Make sure everything's correct! Looking for a commission agreement template? Then let us tell you that you've come into the right place. At SignHouse, we've built this contract template which is 100% free to use at any time, as much as you need it. Regardless of which side of the contract you sit on, this commission agreement template is dedicated to you. When making the template, we've kept both parties in mind, as we want to offer an easy-to-understand contract for everybody, regardless of their past experience with such legal work. Also use our eSignature software for Sales to sign commission agreements easier. We've made this commission agreement template with the help of expert legal advisors that have many years of work in the domain. Fear not, you're getting the most legally-complete template for free. Time saver Using our commission agreement template means that you get more time to focus on yourself and on other work. No need to write a contract all by yourself as we're doing it for you: duplicate a template instead. Free of charge One of the best advantages of SignHouse's commission agreement template is that it is free of charge. Use our template as many times as you need it, as it's always going to remain free of charge. Optimised everywhere Not only that the template is free to use, but it is available on all of your devices. Whether you like to use your phone or tablet more than your PC, we guarantee that the template works just fine. We don't want to say that our product is the best and you should go ahead and start using it. Instead, we want to show you the benefits of using our commission agreement template. Hence, we believe that our pricing and accessibility stands out most compared to other contract providers, since our template is free and able to be used on any of your desktop and mobile devices. At SignHouse, we've spent our time on building this library of contracts that are all free to use and suit all of your legal needs. Contracts and agreements - come back whenever you need templates. Your data is safe here Our privacy policy strongly mentions the fact that we're not allowed to look at your documents and signatures, nor send them away without your will. All of your data is guaranteed to be safe here. Expert or not, it's easy You don't need to have any past experience with computers or agreements like this one. We've made it easy for everybody to download and start editing this template. Expert or not, everybody can easily do it. Support, here for you Click the bubble in the bottom-right corner of any page on our website if you want to get in touch with our support team. We're always happy to help you with the commission agreement template! No-brainer pricing for a small business - or even big business, I reckon : -)Tried the product. Worked like a charm. Never had any problem + the clean UI got us. Wish there would be more features, but I believe in the team behind. SignHouse has been nothing short of convenient, efficient and fast. Oh and top notch customer support too...Couldn't ask for more! SignHouse has made a big difference in the workflow of my business. Sure there are other, more mature e-signing platforms out there, but they are all convoluted and too focused on big, enterprise companies. It feels like SignHouse is on our side. Getting documents to parents is significantly simpler now. However, even more importantly, parents aren't getting lost in the signing process anymore. SignHouse was AMAZING for what we needed. "Do one thing and do it well" - they've nailed that, as everyone is very happy with the product here. Looking forward to seeing how the product develops, as the team is super ambitious. "Simpler, yet does the job better than most of the clunky eSignature software out there" "SignHouse cut down on our signing processes by at least 50% - and we were using eSignature software before as well" "I just never thought signing documents can ever become a pleasurable experience" G2 Our signatures are 100% legally binding, as SignHouse is built around US and International Laws concerning digital signatures. SignHouse eSignatures are on par with paper signatures, from a legal point of view!Signing papers digitally started being equal to physical, handwritten signatures in the U.S. eSignature Act of 2000 (U.S. Federal Act) + the Uniform Electronic Transaction Act (UETA). As a consequence, laws in other countries have followed suit. SignHouse is built around these laws. All signatures are a real, eSignature that is 100% legally binding.We save important, relevant data (that can be used legally in all types of situations, including in courts) such as identifiable details of a person, IP addresses, etc, just so our electronic signatures can be as valid as digital signatures can get. SignHouse's signatures are secure for all kinds of businesses and companies. All our signatures happen on a secure, SSL-connected domain. Documents are not made public and unique keys are generated through SignHouse so that privacy and security are at the foundation of the documents on our platform. We've streamlined the signing process so that your signees can sign your documents with no hurdles at all — and with the smallest amount of steps required. It can take as little as 30 seconds! We have a generous free plan, so we highly encourage you to make the comparison yourself! It costs you nothing - and no hard feelings if you don't want to go with us.We would really love to know what made you go with us or somebody else! If you could take a moment to write to us about that, we'd highly appreciate it. More FAQs A commission agreement is an essential document for employers and employees who work on commissions. The commission sales agreement lays out the terms of when commissions are paid, how much, and for what. Using a sales commission agreement template is a practical way to create your own. The commission agreement template takes you step-by-step through the information necessary to complete the agreement accurately. Having a commission agreement template in place is a wise choice, especially for organizations with large sales teams who work on a commission basis. Table of Contents What Is a Commission Agreement? A commission agreement often called a sales commission agreement, is legally binding. It spells out what types of sales and customers are eligible for commissions. It's an effective tool that ensures sales staff and employers understand the commission terms. It can be used with all types of employees, whether salaried, paid by the hour, or earned income solely on commissions. The terms may vary based on the commission, business, and employee type. However, if applicable, the most common elements to include in the agreement are the commission percentages or salary. It may also include terms about confidentiality or non-disclosure related to any deals covered by the commission agreement. When to Use a Commission Agreement Using a commission agreement is a smart move whenever there's the potential for misunderstanding about commissions. It's especially valuable when hiring new staff who will be paid entirely or in part on commissions. If you are an employee who works on commission but has not received a commission agreement, it may be prudent to ask for one. A commission agreement is not legally required for employers and employees who operate on a commission basis. However, using them to ensure all parties are clear is a good idea. If there is a dispute, a legally executed commission agreement is an important document to help resolve the issue. What to Include in a Commission Agreement? Here are the elements to include in a commission agreement. Effective Date: The date the agreement is entered into by all parties Principal Name and Address: The employer's name and address Agent Name and Address: The employee's name and home address Agreement Items: The items the agent will sell on the principal's behalf. In some cases, this is referred to as the Scope of Service Term: The date on which the agreement will end Geography: The area or territory in which the agent may sell the principal's items Commission Earnings. The financial terms of the agreement Confidentiality: The privacy guidelines and penalties for violation Termination: The conditions under which either party may end the agreement Representation: Statement confirming that all parties are authorized to enter into the agreement Governing Law: The jurisdiction covering the agreement Assignment: Whether the contract can be assigned to a third party Signatures and Dates Commission Agreement Best Practices Here are some best practices to follow when using a commission agreement. Specificity The commission agreement should specify the commission rate and how your revenue share is structured. Being more specific about the fee structure leads to a more effective agreement. With clear agreements, sales managers, agents, and principals can be confident and motivated to earn high commissions. Transparency When presenting your proposed commission agreements to potential employees or agents, transparency is essential. A commission agreement sample can be used to walk through the terms and conditions and assist with negotiations. Transparency, especially around conditions that may be controversial, such as territories covered, helps potential employees to understand the what and the why. Connect Face-to-Face Whether in person or via a Zoom call, presenting the commission agreement face-to-face is essential. You do not want to email the agreement without explanation or context. Presenting face-to-face also allows for a clear discussion of expectations, culture, and roles within the organization. Commission Agreement Sample To learn more, and to see a sample commission agreement, see the example below. Salespersons or sales representatives often get the payments of their efforts through a commission that has been agreed upon by them and their employers. Good examples of these professionals include a real estate broker who gets a commission by selling a property and an insurance agent or employee who obtains a commission through their client referrals. This kind of setup is arranged and detailed in a commission agreement which is mostly prepared by employers. Get an idea of how such an agreement looks like by taking a peek at our 11+ Commission Agreement Examples in PDF, Google Docs, Microsoft Word, and Apple Pages file formats. 14+ Commission Agreement Examples 1. Commission Agreement Template template.net Google Docs MS Word Pages Download 2. Free Commission Agreement Letter template.net Google Docs MS Word Pages Download 3. One Page Construction Commission Agreement Template Google Docs MS Word Pages Size: A4, US Download 4. Artist Commission Contract Template Google Docs MS Word Pages Size: A4, US Download 5. Exclusive Solicitation Sales Commission Agreement Template Google Docs MS Word Pages Size: A4, US Download 6. Sales Commission Agreement globalnegotiator.com Size: 1 MB Download 7. Licensing and Sales Commission Agreement getfilings.com Size: 81 KB Download 8. Agency Commission Agreement parkwoodjumpers.com Size: 303 KB Download 9. Commission Purchase Agreement realcommissions.com Size: 47 KB Download 10. Real Estate Commission Agreement edmonton.ca Size: 29 KB Download 11. Commission Agreement Format dms.myflorida.com Size: 779 KB Download 12. Commission Agreement Example deltadentalne.org Size: 32 KB Download 13. Agent Commission Agreement Format healthplex.com Size: 301 KB Download 14. Employment Commission Agreement formswift.com Size: 43 KB Download 15. Sales Commission Agreement in DOC qcommission.com Size: 40 KB Download What Is a Commission Agreement? A commission agreement is a legal document between a seller or distributor and a product provider or an employer. Its content details how the seller will be compensated after successfully selling the employer's products. Legalzoom states that the sales workers of a company act as public personas and that their endeavors reflect the business, as well as its brands. So, paying them accordingly and having a statutory document to back them up would surely influence how they work to get a company's products sold in a market, and in an advantageous way. Fair Compensation Tips for Employers Sales representatives promote and sell your products to the appropriate people, places, and at the right prices. As the years pass by, tenured salespeople will develop their preferences when it comes to getting involved with the right employer. And, sales strategist Marc Wayshack thoughtfully gave out a few tips for employers on how to keep their compensation structure beneficial for them and their sales workforce. He indicated in his book entitled The High-Velocity Sales Organization that the morale of the said employee segment can be kept high in three ways – removing salary caps, forgo compensation plan restructuring, and making things simple. The first tip clearly recommends avoiding putting a limitation on the workforce's pay. As we all know, limitations prevent growth. The second tip does not necessarily mean to not restructure any compensation plan. It simply implies that restructuring compensation plans may cause a decrease in the employees' confidence and optimism aligned to their adjustment period. The last tip is quite common. Simple sales compensation prevents confusion for both employers and salespersons, making both parties safe from any dispute. How To Prepare a Commission Agreement Given that a commission agreement is a legal document, you need to make sure that it follows a standard flow. Though most of its contents can be based on a company's compensation plan, there are certain areas that cannot be found in it. To walk you through in making your commission agreement as thoroughgoing as possible, we have prepared our list of guidelines below for you to follow. Step 1: Describe Agreement Type There are many commission-based professions. And, each of them holds different specifications when it comes to composing a commission agreement. That is the very reason why describing the agreement's type must be done first and foremost. Commission agreements are highly applicable in many financial aspects, such as agent commission, investments, conditional sales, corporate duties, financial support, independent contractors, and non-disclosure commission. Step 2: Agent Authorization You let other people sell your goods. And, we know how risky that is for the agents and your company if done under no settlement. Thus, it is highly necessary for you to provide your sales agents with authorizations to trade your products on behalf of your company. Step 3: Select and Define Commission Structure Basic salary plus commission, only commission, capped commission, tiered commission, territory volume, and placement fee commission composed the commission structures. Selecting one and defining it on the agreement makes your document more informative. Plus, it explains to your sales representatives how they will be given their commission and why it is advantageous on their part. Step 4: Approval of Documentation Salespersons are creative individuals who will take an innovative way or two to sell your goods. Without a doubt, promotional materials like brochures, flyers, forms, and even business cards, will be used as often as you thought they would be. Since such materials are needed for the success of their sales activities, their approval must be included in your agreement. Step 5: Cite Agreement Clauses Agreement clauses are parts of an agreement document that details the duties, rights, and exemptions of parties. For a commission agreement, there are two must-have clauses, including the non-compete and non-disclosure. The former necessitates the salespeople to pledge not to contend with other brands. The latter clause, on the other hand, necessitates the salespersons to keep pieces of internal business information highly confidential between them and their corporate affiliates. Step 6: Seal the Deal An agreement will not be considered complete if one of the parties does not engrave his or her signature. Not to mention, sealing the deal will not be concluded if there is no space for it in the first place. So, spaces for both employee and employer's signature must be incorporated in addition to spaces for the dates when the agreement is signed. FAQs – Company information – Sales agent information – Commission structure details – Terms and conditions – Commission rate – Signatures According to Ownerly, the average commission rate of real estate brokers in the U.S. ranges from five percent to six percent for every home property sale. However, the organization mentioned that a Real Trends survey's result showed that the actual commission rate of real estate brokers depends on the market. Base salary plus commission is the structure that is commonly used by businesses. It provides sales representatives back-up financial support in case commissions do not go the way as they planned. The commission agreement has proven its importance for both sales employees and employers. Though many advantages have been laid out, all of them go down to one purpose, which is the protection of employment relationships between the two parties. This is in consideration of the commission aspect of their compensation.