

## Precedent Commission Agreement<sup>1</sup>

**DATE:** [date]<sup>2</sup>

**PARTIES:**<sup>3</sup>

- (1) [**COMPANY NAME**], a company incorporated in [jurisdiction] (registration number [number]) having its registered office at [address]] (the "**Company**")<sup>4</sup>; and
- (2) [**COMPANY NAME**], a company incorporated in [jurisdiction] (registration number [number]) having its registered office at [address]] (the "**Partner**").

**BACKGROUND:**

- (A) [*Insert explanation of the background to this Agreement.*]
- (B) [*For example, "The Company has agreed to pay to the Partner commission in respect of referrals of customers made by the Partner to the Company".*]

**AGREEMENT:**

### 1. Definitions and interpretation

1.1 In this Agreement:

"**Agreement**" means this commission agreement and any amendments to it from time to time;

"**Base Amount**" means [*describe the underlying amount that will be used to calculate the amount of Commission due – e.g. "the amount that a person introduced by the Partner to the Company undertakes to pay to the Company under a contract for the provision of services by the Company to that person during the first 12 months following the entry into force of the contract";*]<sup>5</sup>

"**Business Day**" means any week day, other than a bank or public holiday in [jurisdiction];

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1This is a template commission agreement. The template is suitable for use to document the payment of commission by one person to another in respect of a defined event (e.g. the introduction of a customer).

2The date should be the date of signature; if the parties sign on different dates, it should be the date of the last signature.

3Where a party to the contract is a sole trader or partnership rather than a company, the following party definitions may be used:

sole trader: "[[**INDIVIDUAL NAME**] trading as [business name], which has its principal place of business at [address] (the "[**Company/Partner**]").]"

partnership: "[[**PARTNERSHIP NAME**], a partnership established under [legal system] having its principal place of business at [address] (the "[**Company/Partner**]").]"

4You may need to change the defined terms Company and Partner to suit the circumstances of your agreement. Although the term "Partner" is used here, the document is not intended to create a legal partnership between the parties.

5You must define the Base Amount in such a way that it is an entirely certain amount in respect of each Trigger Event. Remember to specify, where relevant, whether the Base Amount is a tax-inclusive or tax-exclusive figure. Note the distinction, in our example wording, between a payment and an undertaking to pay.

“**Business Hours**” means between [09:00] and [17:30] on a Business Day;

“**Commission**” means an amount equal to [*percentage*] of the Base Amount in respect of each Trigger Event that occurs [wholly or partially] during the Term[, plus [VAT / GST] at the applicable rate];<sup>6</sup>

“**Effective Date**” means [the date of execution of this Agreement];

“**Intellectual Property Rights**” means all intellectual property rights wherever in the world, whether registered or unregistered, including any application or right of application for such rights (and the “intellectual property rights” referred to above include copyright and related rights, moral rights, database rights, confidential information, trade secrets, know-how, business names, trade names, domain names, trade marks, service marks, passing off rights, unfair competition rights, patents, petty patents, utility models, semi-conductor topography rights and rights in designs);

“**Term**” means the term of this Agreement; and

“**Trigger Event**” means an event giving rise to a payment obligation under this Agreement, being [*describe the event giving rise to a payment obligation – e.g. “the Company entering into a contract with a person introduced by the Partner to the Company, for the provision of services by the Company to that person, in consideration of an undertaking by that person to make one or more payments to the Company, irrespective of whether the introduction is made by means of a communication to the Company or the Partner or another person, and irrespective of whether that introduction is oral or in writing”*].<sup>7</sup>

1.2 In this Agreement, a reference to a [statute or statutory provision or regulation] includes a reference to that [statute or statutory provision or regulation] as modified, consolidated and/or re-enacted from time to time.

1.3 The Clause<sup>8</sup> headings do not affect the interpretation of this Agreement.

## 2. Term

This Agreement will come into force on the [Effective Date] and will continue in force [indefinitely, unless and until terminated in accordance with Clause [6] / until [*date*] [*event*], upon which it will terminate automatically, unless terminated earlier in accordance with Clause [6]].

## 3. Commission

3.1 In respect of each Trigger Event that occurs [wholly or partially] during the Term, the Company will pay the Commission to the Partner in accordance with this

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<sup>6</sup>The definitions of “Base Amount”, “Trigger Event” and “Commission” must be mutually consistent. In addition, they must be consistent with the provisions of Clause 3.1. Where Trigger Events extend or may extend in time, you should specify whether a Trigger Event only partially within the Term may give rise to a payment obligation: see Clause 3.1.

You should check the tax position with your accountant or tax adviser.

<sup>7</sup>Take great care with this definition: there should be no vagueness or ambiguity. The parties should be able to easily ascertain when a Trigger Event takes place.

<sup>8</sup>In different jurisdictions there are different ways of referring to discrete contractual provisions. Alternatives to “Clause” include “Section” and “Article”.

Clause [3].

- 3.2 Within [10] Business Days following [the start / end of] a Trigger Event, the Company will notify the Partner of that Trigger Event and will confirm the amount of Commission due to the Partner in respect of that Trigger Event.

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This is a sample document, showing the first few sections of a premium precedent available from:

<http://www.contractology.com>