DOWNLOADABLE TEMPLATE

Sales Commission Agreement Framework

This template is a structural framework, not legal advice. Have qualified counsel review your completed agreement before execution. CaptivateIQ does not provide legal services and is not responsible for the use, interpretation, or enforceability of agreements built from this framework.

Each section opens with italicized guidance explaining what that section covers and any nuances to watch for. This text is drafting help, not part of the agreement. Delete it before execution.

Date: _____________

Between:

The Company: [Company Legal Name], with an address of [Company Address]

The Representative: [Representative Full Name], with an address of [Representative Address]

Collectively referred to as the "Parties."

1. Plan Summary

> *Snapshot of the compensation target. Every other section in the agreement traces back to the numbers here.*

- Plan Period: [Start Date] through [End Date]
- Base Salary (if any): $_____________ per year
- On-Target Earnings (OTE): $_____________ per year (Base + Commission at 100% quota)
- Sales Quota: $_____________ per [Month / Quarter / Year]
- Primary Commission Rate: _____________ % of qualifying revenue

2. Nature of Engagement

> *Defines the working relationship between the Company and the Representative. Status determines tax treatment, exclusivity rules, and how commissions are calculated.*

- Status: The Representative is an [Independent Contractor / Employee] of the Company.
- Tax Responsibility: [If Contractor: Representative is solely responsible for all federal, state, and local taxes. No taxes will be withheld by the Company.]
- Exclusivity: The Representative [may / may not] sell products for other entities during the Plan Period, provided those products do not compete directly with the Company.
- Commission Basis: Commissions are calculated on [Net / Gross] Revenue.
- Definition of Net Revenue: Sale price minus [shipping, taxes, returns, discounts, and credit card fees].

3. Commission Structure and Calculation

> *The math layer of the plan. Sets the standard commission rate, accelerator tiers, and any cap on total commission per period.*

- Standard Rate: _____________ % of [Net / Gross] Revenue.
- Accelerators (Tiers): Higher commission rates above quota.
  - 0% to 100% of Quota: _____________ %
  - 100% to 150% of Quota: _____________ % (Accelerator)
  - 150%+ of Quota: _____________ % (Super-Accelerator)

Commission Cap (choose one):

Option A - Uncapped	Commission is not capped. The Representative is paid the full accelerated rate on all qualifying revenue in the period.

Option B - Capped	Commission is capped at $_____________ per [Month / Quarter / Year]. Revenue above the cap does not generate additional commission for the period.

4. Ramp Provisions

> *Adjusts quota and commission expectations during a new hire's ramp period. Without ramp language, a new Representative is held to full quota from day one and almost always falls short through no fault of their own.*

- Ramp Duration: _____ months (typically three to six months, depending on sales cycle length).

Quota During Ramp (choose one):

Option A - Stepped	Month 1: _____ % of full quota. Month 2: _____ % of full quota. Month 3 onward: 100% of full quota.

Option B - Flat ramp quota	_____ % of full quota for the entire ramp period, then 100% afterward.

- Commission Rate During Ramp: [Same as full plan / Adjusted to _____ %].
- End of Ramp: The full plan applies starting [Month _____ / a specific date].

5. Draws and Recoverability

> *Whether and how the Company advances commissions when earned commissions fall short of a baseline amount. Draws are most common during ramp or new territory launches.*

Draw Type (choose one):

Option A - Recoverable Draw	The Company advances $_____________ per [pay period / month] against future commissions. Earned commissions in excess of the draw amount are paid only after the cumulative draw balance is recovered.

Option B - Non-Recoverable Draw	The Company guarantees a minimum payment of $_____________ per [pay period / month]. The Representative keeps the draw regardless of earned commissions; no recovery against future earnings applies.

Option C - No Draw	No draw applies under this agreement.

- Draw Period: From [Start Date] through [End Date], or for the duration of the ramp period defined in Section 4.

6. Clawbacks and Adjustments

> *The conditions under which the Company can recover commission that has already been paid. Clawbacks protect the Company when a deal refunds, churns, or fails to invoice after commission was paid out.*

- Clawback Triggers: If a customer cancels, returns goods, refunds, or fails to pay within _____ days (e.g., 90 days) of the contract start date, any commission previously paid on that deal is considered unearned.
- Recovery Method: The Company may deduct unearned commissions from the Representative's future commission statements until the balance is recovered.
- Calculation Errors: If a calculation error results in overpayment, the Company may deduct the overpayment from future commission checks with reasonable notice.

7. Payment Terms and Reporting

> *Sets payment frequency, reporting transparency, and the moment a commission counts as "earned" for the Representative.*

- Frequency: Commissions are paid [Monthly / Quarterly] on the _____ day of the following period.
- Statement Transparency: The Company will provide a detailed commission statement via [commission software / portal / email] showing:
  - Total sales closed during the period
  - Applicable commission rates and accelerator tiers
  - Adjustments and clawback deductions
  - Total payable amount

Timing of Earned Commission (choose one):

Option A - Standard	Commission is earned when the Company receives payment from the customer.

Option B - Hold and Release	Commission is credited upon contract signature but held in reserve until the customer pays at least _____ % of the invoice, at which point it is released to the Representative.

8. ASC 606 Acknowledgment

> *ASC 606 is the revenue recognition standard from the Financial Accounting Standards Board (FASB). It governs how the Company books commission expenses, particularly for multi-year contracts or deferred-revenue deals. Your finance team provides the exact acknowledgment language; the placeholder below is where it goes.*

- Acknowledgment Language: [Company's specific ASC 606 acknowledgment language, supplied by Finance]

By signing this agreement, the Representative acknowledges that commission timing, recognition, and accounting treatment are governed by the Company's ASC 606 policies.

9. Dispute Resolution

> *Gives the Representative a defined window to raise commission disputes and a clear process for resolving them. A short review window keeps disputes time-boxed and the rest of the comp cycle moving.*

- Review Period: The Representative has _____ days (e.g., five business days) after receiving a commission statement to dispute any discrepancies in writing.
- Waiver: If no dispute is submitted within the review period, the statement is considered accurate and final.
- Process: Disputes are reviewed by [Head of Sales / Finance Department / Sales Operations]. Their decision on calculation interpretation is final, barring clerical errors.

10. Termination and Tail Commissions

> *Covers what happens to in-flight deals when the Representative leaves the Company. "Tail" commissions are payments earned on deals closed before termination but invoiced after.*

- Termination Notice: Either party may terminate this agreement with _____ days written notice (e.g., 14 days for employees, 30 days for contractors).
- Post-Termination Payment (the "Tail"):
  - The Representative is paid commission on all deals closed before the termination date, provided the customer pays within _____ days of the termination date.
  - The Representative is not entitled to commission on pipeline deals that close after the termination date.

11. Right to Modify

> *Reserves the Company's ability to update the plan when the business or go-to-market motion shifts. Without it, the Company is locked into the current plan for the full plan period.*

- Modification Rights: The Company reserves the right to modify the commission plan, quotas, rates, or territories at any time during the Plan Period.
- Notice: The Company will provide _____ days written notice (e.g., 30 days) before any modification takes effect.
- No Retroactive Application: Modifications do not apply retroactively to sales already closed under the prior plan terms.

Signatures

By signing below, both parties acknowledge they have read, understood, and agreed to the terms of this commission agreement.

Company Representative

Signature: ______________________________

Printed Name: ___________________________

Title: _________________________________

Date: _________________________________

Sales Representative

Signature: ______________________________

Printed Name: ___________________________

Date: _________________________________

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