



**TERMINATION ENTITLEMENTS
FOR COMMERCIAL AGENTS
Revised 2012**

The termination of a commercial agency relationship mandates the payments of certain indemnities if the contract was for an undefined period of time. The same rules apply if the contract was for a defined term, however the parties performed it also following the expiration of the term.

The matter is governed by Article 1751 of the civil code, which has implemented the EU Directive on commercial agents (86/653/CEE) as well as by collective agreements entered into by and between the trade associations and the unions.

The position of the unions has been that of distributing the indemnity irrespective of merit, and the relevant agreement was found to be illegal by the Court of Justice.

The current agreement, backed by the Italian court decisions, now dictates that a certain amount is due in all cases, irrespective of whether the agents increased sales, and an additional amount may be due if the agent meets the requirements of the EU Directive, as implemented in Italy.

Conditions to get merit indemnity are closely linked to the increase in customers and its amount varies depending on two elements:

- The first is given by the increase in earnings of the agent or, depending on the agreements, the initial and final increase in sales achieved by the principal in the area of activity of the agent;
- the second element is represented by a percentage rate that increases as a function of the increase in sales

In all cases, the overall amount cannot exceed the one year threshold.

Two charts summarizing the system are attached

For any additional information please contact:

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CHART 1

Summary table of amounts due to a commercial agent in Italy upon termination of relationship

Category of entitlement	Conditions of entitlement	Method to calculate amount of entitlement
FIRR (Termination Indemnity)	This amount is always due, regardless of reason of termination and regardless of whether the agent has increased the sales volume or whether the contract is terminated by the agent.	3% of commissions earned, however there are several ceilings for past periods
Indennita' suppletiva di clientela (Supplementary Indemnity)	The contract must be terminated by the principal, with no fault of the commercial agent	3% of commissions earned during years 0-3 3.5% of commissions earned during years 4 to 6 4% of commissions earned after 6 th year
Indennità meritocratica (merit indemnity)	This indemnity may be due IF the total amount of: Termination Indemnity and Supplementary Indemnity is less than 1 year of average commissions, and UP to an amount that, together with the other two indemnities, does not exceed the 1 year average commissions.	Rate of sales increase obtained by comparing initial turnover procured by the agent (re-valued according to the Istat INDEX) and final turnover. The reference periods for determining turnover depend on the duration of the relationship (see following table) Depending on the rate of sales increase and length of the relationship, the amount will vary from a percentage of 25% to 100% of the maximum allowance ex. art.1751 cc (average one year commissions earned during the last 5 years). The amount of termination indemnity and supplementary indemnity must be deducted.



CHART 2

CRITERIA FOR CALCULATING SALES INCREASES

Length of relationship	Initial Turnover	Final Turnover
0-3 years	Sales during initial 4 quarters	Sales during last 4 quarters
4-6 years	Average annual sales during first eight quarters	Average annual sales during last eight quarters
7-9 years	Average annual sales during initial 12 quarters	Average annual sales during last 12 quarters
10-12 years	Average annual sales during first 16 quarters	Average annual sales during last 16 quarters
More than 12 years	Average annual sales during first 20 quarters	Average annual sales during last 20 quarters