



Tax alert: EPFO issues FAQs on revision of statutory wage ceiling to INR 25,000 p.m.

29 September 2026

The Ministry of Labour and Employment has increased the statutory EPFO wage ceiling from INR 15,000 p.m.¹ to INR 25,000 p.m.², with effect from 17 September 2026. Following the notification, the Employees' Provident Fund Organisation (EPFO') has issued a detailed Frequently Asked Questions (FAQs') clarifying the implications of the revised wage ceiling for employee coverage, provident fund and pension contributions, September 2026 transition reporting, and employer compliance obligations.

In a nutshell



Expansion of statutory coverage

- The wage ceiling for mandatory coverage has been enhanced from INR 15,000 p.m. to INR 25,000 p.m.
- Employees with PF wages up to INR 25,000 p.m. may now come within mandatory EPF, EPS and EDLI coverage, subject to the applicable scheme provisions.



Who is impacted

- Employees with PF wages between INR 15,000 p.m. and INR 25,000 p.m. may become newly covered under EPF, EPS and EDLI.
- Existing EPF members in this wage band are required to be enrolled in EPS from 17 September 2026.



Impact on contributions and benefits

- Employees and employers are required to contribute 12% each on applicable PF wages, subject to the revised wage ceiling of INR 25,000 p.m.
- Employers may incur higher costs on account of increased EPF, EPS, EDLI, and administrative contributions.
- Affected employees may see lower take-home pay due to higher employee PF contributions.
- Enhanced quantum of benefits available under EPF and EPS.



Transitional compliance for September 2026

- Employers are required to file a single ECR for September 2026, ordinarily due by 15 October 2026.
- Contributions must be calculated separately for:
 - 1 September 2026 to 16 September 2026 (ceiling of INR 15,000 p.m.); and
 - 17 September 2026 to 30 September 2026 (revised ceiling of INR 25,000 p.m.)
- Employee contributions for newly enrolled employees not deducted from September payroll, may be recovered in the October 2026 payroll; remittance is still due by 15 October.

¹ notification number S.O. 2702(E) dated 29th May 2026

² notification number S.O. 5109(E) dated 17th September 2026

EPFO clarifies implementation of revised wage ceiling

The statutory wage ceiling under the EPF framework has been increased from INR 15,000 per month to INR 25,000 per month, with effect from 17 September 2026.

The previous ceiling had remained unchanged since 2014 despite significant increases in wage levels across sectors and regions. As per the press release on the increase, the revision is intended to enhance social security coverage and expected to mandatorily cover more than 51 lakh additional employees.

The FAQs provide clarity on several implementation aspects, including employee coverage, EPS eligibility, computation of contributions, transition reporting for September 2026 and employer compliance requirements.

Key clarifications issued by EPFO

- **Revised wage ceiling.** The statutory wage ceiling has been increased from INR 15,000 p.m. to INR 25,000 p.m. for the purposes of EPF, EPS and EDLI coverage.
- **Previously excluded employees become covered.** Employees with wages between INR 15,001 p.m. to INR 25,000 p.m., who were hitherto not EPF members solely because their PF wages exceeded the earlier ceiling, are required to be enrolled under EPF, EPS and EDLI coverage from the effective date. No separate employee application is required and the responsibility for enrolment rests with the employer.
- **Contributions are not automatically payable on INR 25,000.** The revised wage ceiling does not mean all employees must contribute on the wage ceiling of INR 25,000 p.m. Where monthly wages are below INR 25,000, contributions would be determined with reference to wages. Where the monthly wages exceed INR 25,000, the statutory contribution may generally be restricted to the ceiling unless the employee is covered or contributing on higher wages under applicable provisions.
- **Existing higher wage contributions continue.** Employees already contributing on wages exceeding the statutory ceiling may continue to do so subject to the applicable statutory and scheme provisions governing higher wage coverage.
- **PF wages, not gross salary, determine coverage.** The wage ceiling is linked to wages as defined under Section 2(88) of the Code on Social Security, 2020 ('CoSS'), and not the total gross salary.
- **Gross salary Vs. EPF wages illustrations.** The FAQs clarify that coverage must be evaluated based on PF wages. Accordingly, an employee may be covered under EPFO despite having a higher gross salary if PF wages remain within the revised threshold. For example, an employee with a monthly gross salary of INR 50,000 and monthly EPF wages of INR 25,000 is required to be covered under EPF, EPS and EDLI. An employee with a monthly gross salary of INR 60,000 and monthly EPF wages of INR 30,000 will fall outside the mandatory coverage ambit but may voluntarily become an EPF member with the consent of the employer; EPS membership would, however, not be available where the monthly wages exceed the ceiling.
- **September 2026 transition mechanics.** For the September 2026 wage month, employers must calculate contributions separately for:
 - 1 September 2026 to 16 September 2026 using the INR 15,000 ceiling; and
 - 17 September 2026 to 30 September 2026 using the INR 25,000 ceiling.

A single ECR is required to be filed for the month, ordinarily due by 15 October 2026. Wages for the two periods are to be apportioned on a calendar-day basis (i.e. 16/30 and 14/30), and the computation for each employee depends on their coverage and EPS status immediately before 17 September 2026. For

instance, an employee newly covered from 17 September 2026, would have no contribution for the period up to 16 September 2026.

- **Illustration contribution calculations. The FAQs provide detailed** illustrations for:

- Newly covered employees;
- Existing EPF members becoming eligible for EPS; and
- Existing members contributing on the earlier statutory ceiling.

These illustrations are intended to assist employers in calculating employee and employer contributions for September 2026.

- **EPS eligibility.** Existing EPF members who were excluded from EPS because they exceeded the earlier wage ceiling are required to be enrolled in EPS with effect from 17 September 2026 where their wages do not exceed INR 25,000 p.m. and applicable eligibility conditions are satisfied. EPS contributions would commence from the effective date and not retrospectively.

Employees whose wages exceed the revised ceiling on the relevant date remain outside mandatory EPS coverage.

- **Contributions from October 2026 onwards.** From October 2026 onwards, contributions are to be calculated for the full month under the revised wage ceiling. Existing administrative charge requirements continue to apply. For existing EPS members with PF wages above INR 15,000 p.m., the employer share diverted to EPS increases (e.g. INR 2,083 p.m. at PF wages of INR 25,000 p.m., as against INR 1,250 p.m. earlier).

Where contributions are already made on actual wages exceeding the ceiling, the total contribution may remain unchanged, but the employer share credited to the member's EPF account would be lower.

- **Deferred recovery of Employee contribution.** Where practical difficulties prevent deduction of employee contributions in September 2026 payroll for newly covered employees, employers may recover the employee share in the subsequent payroll cycle, without seeking formal relaxation or prior approval from the Inspector-cum-Facilitator. This is a departure from the general position under Paragraph 22 of the Employees' Provident Funds Scheme, 2026 ('EPF Scheme'), which permits recovery from subsequent wages only in limited situations. However, full statutory remittance (employer + employee contributions) must still be completed within prescribed timelines (15 October 2026) to avoid late payment interest and penalty implications. In effect, employers would need to fund the non-deducted employee share upfront and recover it through the October 2026 payroll. As worded, the relaxation covers employees newly brought within coverage; it is not clear whether it extends to the incremental employee share of existing members whose contribution base has increased.
- **Employer cost.** The increase in the wage ceiling is expected to increase employer social security costs due to higher EPF, EPS, EDLI and administrative contributions for affected employees, which may be partly offset by the Pradhan Mantri Viksit Bharat Rozgar Yojana ('PMVBRY') incentive of up to INR 3,000 p.m. for every additional employment created. Eligibility for the PMVBRY incentive should, however, be evaluated against the scheme conditions, as the incentive is linked to additional employment generated and may not extend to existing employees merely brought within coverage.
- **Impact on CTC and take-home salary.** Employers should ensure that statutory employer contributions are made correctly and that the employees' statutory wages are not reduced contrary to the applicable law. The FAQs clarify that CTC is not a statutory concept for determining PF liability, and the employer's statutory contribution cannot be treated as an employee deduction merely because compensation is structured on a cost-to-company basis.

Employees within the revised wage band, as well as existing members earlier contributing on the INR 15,000 p.m. ceiling, may experience a reduction in monthly take-home pay to the extent of increased employee PF contributions, accompanied by a corresponding increase in retirement savings. For instance, at PF wages of INR 20,000 p.m., the employee contribution increases from INR 1,800 p.m. to INR 2,400 p.m.

- **Pension under EPS.** Pensionable wages may be considered up to the revised ceiling, so eligible members may receive a higher pension, subject to the EPS formula, pensionable salary, pensionable service and other conditions. Accordingly, for the September 2026 wage month, pensionable wages would need to be determined by applying the applicable wage ceiling to each relevant wage period. Therefore, the revised wage ceiling would apply only from 17 September 2026, and pensionable wages for the period prior to that date would continue to be determined based on the earlier wage ceiling, subject to the applicable provisions of the EPS.

Existing pensioners and members will not automatically receive a proportionate increase. The Government's EPS contribution remains limited to 1.16% of wages up to INR 15,000 p.m. (INR 174 p.m. per member). The FAQs clarify that this limit does not affect the member's pension, which depends on pensionable salary and pensionable service.

- **EDLI and PMVBRY.** The maximum EDLI assurance benefit remains limited to INR 7 lakh under the EDLI Scheme 2026. An actuarial valuation of the EDLI fund will be undertaken, and benefits may be decided in future.

The EPFO has clarified that this benefit shall not be increased to INR 10.5 lakh computed (mathematical calculation) basis revised EPFO wage ceiling of INR 25,000 p.m. Although the wage-linked component may increase; the EDLI benefits is capped to the existing maximum assurance benefit. Accordingly, stakeholders may continue to monitor developments in this regard.

Under PMVBRY Part A, the benefit for an eligible first-time employee remains one month's EPF wage, subject to a maximum of INR 15,000 in accordance with the scheme.

- **No deferral of effective date.** The FAQs specifically clarify that there is no proposal to defer the effective date to 1 October 2026; the revised ceiling applies from 17 September 2026.

Immediate action points for employers:

Employers should consider undertaking the following actions on priority:

- Identify employees with PF wages between INR 15,001 p.m. and INR 25,000 p.m. who may now require EPFO enrolment (effective 17 September 2026).
- Enrol existing EPF members (with PF wages up to INR 25,000 p.m.) who were previously excluded from the pension scheme into EPS with effect from 17 September 2026, and update membership records. Reconfigure the EPF/ EPS split in payroll for existing EPS members with PF wages above INR 15,000 p.m.
- Validate PF wage definitions and payroll configurations.
- Update payroll systems to accommodate split-period calculations for September 2026.
- Compute September 2026 contributions employee-wise based on status as on 16 September 2026 and reconcile the ECR with payroll before filing.
- Ensure accurate ECR filing for September 2026 and contribution remittance by 15 October 2026.

- Where the employee share for newly covered employees could not be deducted in September, fund it for remittance by 15 October 2026 and recover it through the October 2026 payroll, with appropriate documentation.
- Review contractor compliance where contract labour is engaged, including evidence of enrolment and remittance for newly covered contract workers, given the principal employer's exposure. Exempted establishments (private PF trusts) should review trust rules and contribution processes to align with the revised ceiling, including EPS remittances to EPFO.
- Obtain KYC, nomination and onboarding documentation for newly covered employees.
- Update employment contracts, compensation structures, payroll disclosures and employee communications.
- Evaluate salary realignments against the statutory wage definition before implementation and communicate the take-home impact along with the long-term benefits to affected employees.
- Review onboarding and eligibility determination processes, related HR / payroll policies to align with the revised wage ceiling of INR 25,000 p.m. including for future hires.
- Maintain an audit trail of the employee population, computations and system changes, and monitor EPFO instructions and portal updates.

Comments:

The FAQs provide much-needed operational clarity on the implementation of the revised EPFO wage ceiling and address several practical questions that employers have been grappling with since the increase was notified. The guidance confirms the approach for employee coverage, EPS enrolment, contribution computations, ECR reporting and recovery of employee contributions during the transition period.

Of particular significance is the clarification that existing excluded employees with EPF wages between INR 15,001 p.m. and INR 25,000 p.m. are required to be enrolled into EPF, EPS and EDLI from 17 September 2026. The FAQs also clarify that existing EPF members who were previously excluded from EPS, but whose wages fall within the revised wage ceiling, would be required to be enrolled into EPS from the effective date. This may require employers to revisit membership records and pension eligibility determinations.

Any restructuring of CTC to absorb the higher employer cost should be undertaken prospectively and must be evaluated in light of applicable statutory framework including the definition of 'wages' under Section 2(88) of CoSS (including the 50% exclusion threshold) ; Section 124 of CoSS which restricts employers from reducing wages or the total quantum of benefits payable to employees on account of employer contributions required under the Code, Para 21 of the EPF Scheme which prohibits recovery of the employer's contribution from the member; and existing employment terms.

While the FAQs provide interim relief by permitting deferred payroll recovery of the employee contribution in certain cases, employers remain responsible for filing the September 2026 ECR and remitting the full statutory contribution within the prescribed timelines. Failure to do so may attract interest and damage.

Employers may also note that the FAQs are in the nature of operational guidance, and the formal instructions (via EPFO's circulars) referred therein are awaited. Pending these formal instructions, the employers may adopt a documented and consistently applied computation methodology of contributions.

Given the immediate implementation timeline, employers should promptly complete impact assessments, identify affected employees, update payroll and compliance processes, and ensure timely filing of the September 2026 ECR and remittance of applicable contributions.

From an employee perspective, while the revision may result in higher contributions in certain cases, it is expected to strengthen overall social security benefits through increased provident fund accumulations, enhanced pension eligibility, tax-free and compounded savings and continued insurance coverage. While certain operational aspects continue to evolve, EPFO has indicated that portal updates are underway and employers should closely monitor further circulars and operational guidance from time to time.



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