



Government enhances EPF wage ceiling to INR 25,000 p.m.

21 September 2026

The Ministry of Labour and Employment has notified INR 25,000 per month¹ as the revised statutory wage ceiling replacing the earlier ceiling limit of INR 15,000 p.m.² The revised wage ceiling is applicable for Chapter III of the Code on Social Security, 2020 ("CoSS") and is effective from 17 September 2026.

The enhancement to the wage ceiling will help bring a wider segment of employees within the social security ambit, facilitate higher retirement savings, and improve overall social protection and financial well-being.

Impact in a nutshell



On Provident Fund

- Mandatory coverage under Provident Fund applicable to employees with wages up to INR 25,000 p.m.
- Would result in higher employer's share of PF contributions where PF contributions were restricted to lower of 12% of the statutory PF wage ceiling or actual PF wages.
- May result in a reduction in take-home for employees



On Pension fund

- The mandatory coverage would get extended to new joinees with wages up to INR 25,000 p.m.
- For existing pension members and employees with wages up to INR 25,000 p.m. there would now be higher pension allocation (i.e. 8.33% of INR 25,000 = INR 2,083 p.m.)



On Employee's Deposit linked insurance

- EDLI coverage to the additional employees who become EPF members
- Would result in additional EDLI cost (0.5% of INR 25,000) for employers due to increase in employees covered as well as increased wage ceiling.



Others

- The increased statutory wage ceiling for Chapter III of CoSS would correspondingly lead to higher PF administration charges for employers
- Exempted establishments having EPF Trusts would also see an increase in the PF inspection charges
- Additional EPF coverage and contributions, would result in higher Pradhan Mantri Viksit Bharat Rojgar Yojana ("PMVBRY") a.k.a. Employment Linked Incentive Scheme ("ELI") benefits as well.



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¹ notification number S.O. 5109(E) dated 17th September 2026

² notification number S.O. 2702(E) dated 29th May 2026

Key impacts of the increase in statutory wage ceiling:

Provident Fund:

- **Enhanced mandatory coverage:** The enhanced wage ceiling expands provident fund coverage to wider segment of the workforce by bringing employees earning wages between INR 15,001 p.m. to INR 25,000 p.m., (who were previously outside the scope of mandatory coverage), within its ambit.

The “wages” as defined under the CoSS should be considered for testing the revised ceiling.

- **Additional cost for Employers:** The EPF scheme, 2026 mandates provident fund contributions on Wages, subject to the prescribed wage ceiling. Accordingly, the enhanced wage ceiling is likely to increase employers' provident fund cost in the below scenarios:
 - Expansion of mandatory coverage to employees earning wages between INR 15,001 p.m. to INR 25,000 p.m., who were excluded employees earlier, to now mandatorily be covered under the provident fund.
 - Higher contribution base for existing members currently contributing on wage ceiling of INR 15,000 p.m. to the higher of actual wages or INR 25,000 p.m., as applicable.

As an employer is not entitled to deduct employer's share of provident fund from the wages of a member or otherwise recover the same from the member, increase in the employer's contribution due to the enhanced wage ceiling might lead to additional costs for the employer. However, the impact should be evaluated against the prevalent practice and employment terms.

- **Reduced take home for Employees:** The enhanced wage ceiling may lead to a lower take-home salary as employees' provident fund contributions will increase for the impacted population.
- **Workforce hired through contractors:** As the enhancement of wage ceiling applies to all categories of workforce, employees hired through third-party contractors will also see a similar impact. Accordingly, the arrangement with such contractors may require revision.

Pension Fund:

- **Enhanced mandatory coverage:** The enhanced wage ceiling expands pension coverage to a wider segment of the workforce by bringing first-time provident fund members earning wages of up to INR 25,000 p.m. within its ambit.
- **Increased allocation towards pension fund:** The enhanced wage ceiling increases the base for pension contributions under the EPS scheme (8.33% of wages, subject to the prescribed wage ceiling), resulting in a higher allocation of the employer's contribution towards the Pension fund. Consequently, the share of the employer's contribution credited to the Provident fund reduces.
- **Increased monthly pension benefit:** The monthly pension is determined based on the formula prescribed under the EPS scheme, 2026, which is “(Pensionable wages × Pensionable service)/ 70”. Accordingly, enhanced wage ceiling will be considered as pensionable wages (other than those who opted for pension on higher wages), which will lead to increased monthly pension benefits for the members of pension fund and their family members.

Employees' Deposit linked insurance ('EDLI'):

- **Enhanced mandatory coverage:** As per the provisions of EDLI scheme, 2026, members of provident fund shall be member of EDLI as well. Accordingly, employees who are newly brought within the mandatory coverage for the provident fund, shall also be covered under the EDLI scheme.
- **Additional cost for employers:** Under the EDLI scheme, 2026, employers shall contribute 0.5% of wages to EDLI scheme, subject to prescribed wage ceiling. The enhanced wage ceiling increases the coverage of new employees and the base for existing members of provident fund.

The enhancement of the wage ceiling increases the maximum EDLI contribution from INR 75 per month to INR 125 per month for employees with wages of INR 25,000 p.m. or above. For employees earning less than INR 25,000 p.m., the contribution will be calculated at 0.5% of actual wages.

Others:

- **Additional cost of administrative (“or admin”)/ inspection charges:** As per the EPF Scheme, 2026, administration charges are to be contributed at 0.5% of actual wages for establishments (other than exempted establishments) and the inspection charges at 0.18% of actual wages for exempted establishments. Thus, the enhanced wage ceiling may lead to higher admin/ inspection charges.
- **Enhanced benefits under the ELI scheme:** Under Part B of the PMVBRY/ ELI Scheme, introduced by the Government and effective from August 2025, the quantum of benefits are linked to the wages considered for provident fund purposes. Accordingly, the enhancement of the statutory wage ceiling may increase the amount of incentives available under the ELI Scheme for eligible employers (2 years across all sectors, additional 2 years for manufacturing sector), subject to the fulfilment of the prescribed conditions.

Comments:

The enhancement of the statutory wage ceiling represents a significant step towards the stated objectives of the Labour Codes by broadening social security coverage, strengthening workforce formalisation, and enhancing the financial security and social protection of employees.

Immediate action points for employers:

- Identify employees earning wages between INR 15,000 and INR 25,000 p.m., who become mandatorily coverable or employees drawing actual wages above INR 15,000 p.m. but contributing to provident fund on erstwhile wage ceiling of INR 15,000 p.m. (including contract labour).
- Quantify the incremental cost of employer PF, EPS and EDLI contributions and admin/ inspection charges, and factor this into budgets and forecasts.
- Decide, in consultation with legal and tax advisors, on the treatment / funding of incremental employer cost
- Update payroll systems and Electronic Challan-cum-Return filings to apply the revised wage ceiling and revised pension allocation with effect from 17 September 2026, requiring prorated workings for September 2026.
- Review contracts with manpower/ staffing agencies and, where required, renegotiate commercial terms to reflect the increased statutory cost of contract labour.
- Communicate the change to newly covered and existing employees, obtain KYC/ nomination details for new members, and update offer letters, CTC structures and employee handbooks accordingly.

Employers will need to evaluate the terms of employment and with contractors to proactively assess the financial and compliance implications of the enhanced wage ceiling to ensure readiness and compliance.

Given that the change is effective 17 September 2026 onwards, employers will be required to undertake immediate assessment to determine the changes required to the payroll and other processes, and educate the employees of this change.



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