



The new PF wage ceiling: Insights, challenges, and steps ahead

28 September 2026

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Poll question 1

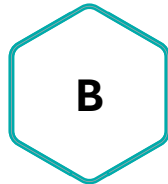


Poll Question

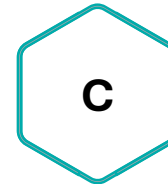
Have you assessed the financial impact of a potential PF wage ceiling increase?



Yes, assessment
completed and
operationalised



Assessment
completed yet to be
operationalised

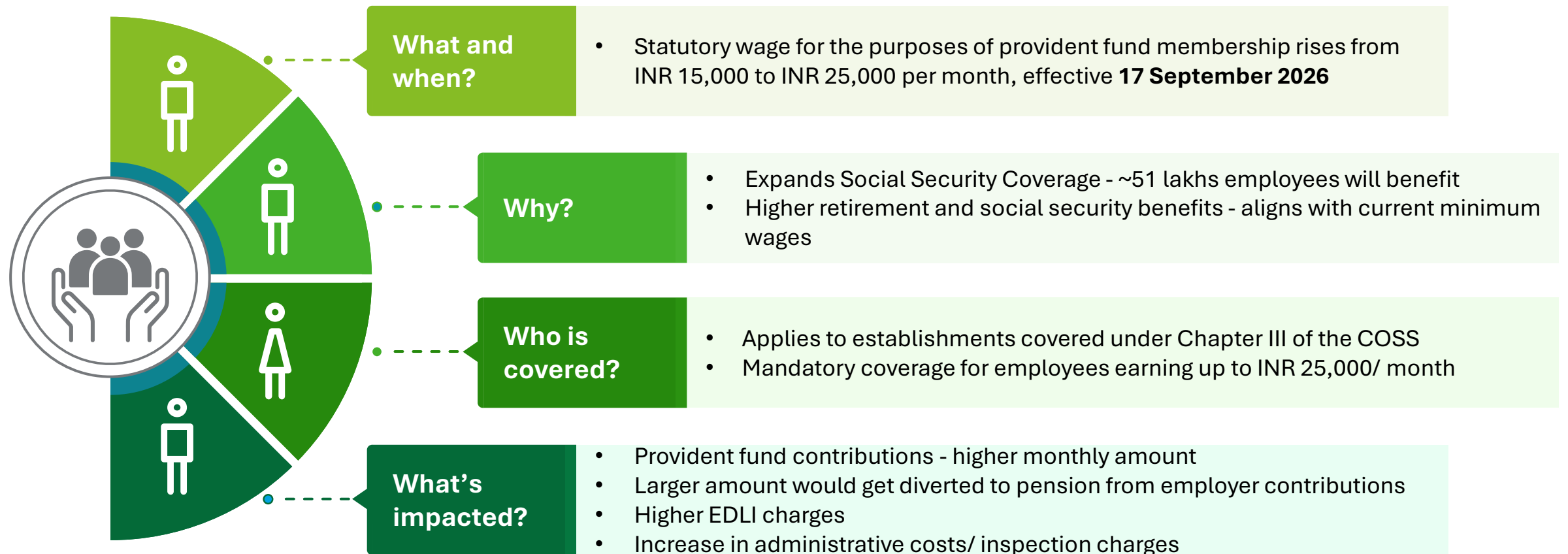


Assessment in progress



Yet to commence

Overview of the change



Impact at a glance



For the employer

Financial impact due to:

- Wider mandatory coverage - employees earning INR 15,001–25,000 p.m. now compulsorily covered
- Higher PF wages where contributions were capped at INR 15,000 p.m.
- Consequential higher EDLI and administrative charges (wage-linked)
- Higher inspection charges for exempted PF trusts
- Increased cost of contract labour (likely passed through by contractors)

Administrative / operational impact

- Payroll reconfiguration for the revised ceiling and higher EPS allocation
- Employee communication on take-home pay impact



For the employee

- Lower take-home pay where contributions rise (up to INR 1,200 p.m. for those earlier capped at INR 15,000)
- Higher diversion of employer contribution to EPS – up to INR 833 p.m. (INR 1,250 → INR 2,083)
- Higher pension entitlement
Correspondingly lower credit to the interest-bearing EPF account



For the government

- Wider social security net and a larger formal-sector base
- Larger EPS corpus, but higher long-term pension liabilities
- Budgetary support to EPS stays at 1.16% of wages up to INR 15,000 p.m.
- Greater enforcement and servicing load on EPFO

Annual Government outgo is estimated at about **Rs. 11,339 Crore**, against the existing annual budgetary support of about **Rs. 10,250 crore**. The estimated expenditure over five years is approximately **Rs.56,696 crore**.

Wage levels and impact on employees

Mandatory coverage now runs all the way to INR 25,000 p.m. - three wage zones behave differently

Employees with monthly wages

less than or equal to INR 15,000

Already covered

- Were already inside mandatory-coverage
- Largely unaffected by this change

between INR 15,001 – INR 25,000

Newly in scope

- Were previously outside mandatory coverage
- Now compulsorily covered for EPF, EPS membership and EDLI.

above INR 25,000

Above the new ceiling

- Remains EPF-eligible only if already a member
- New joiners above INR 25,000 pm stay outside EPS by default

Similar impact on Contract Employees and FTEs depending on the wage band
Wage ceiling not applicable for IWs

Employees with wages upto INR 15,000 p.m.

		Impact and Implications
	Provident Fund	• Employer and employee contributions to continue at the rate of 12 % on wages • No additional cost
	Pension	• Existing employees will remain EPS members – 8.33% of employer’s contribution will be towards pension • New joiners to be enrolled as EPS members – similar allocation of employer’s contribution
	EDLI	• These contributions to remain at same level (0.5% of wages)
Status quo – no additional action required		

Employees with wages upto INR 15,000 p.m. - Illustration

Particulars	Employee 'A'
Gross Salary	30,000
“Wages” as defined under the CoSS	15,000
Provident Fund calculations	
Base for Provident fund Contribution (before and from 17 Sep 2026)	15,000
Employee’s share of Provident Fund Contribution	1,800
Employer’s share of Pension Contribution	1,250
Employer’s share of Provident Fund Contribution	550
Increase in Provident Fund Contributions for each of the share of Employer and Employee	NIL
EDLI Contribution	75
Increase in EDLI Contribution	NIL

Employees with monthly wages between INR 15,001 and INR 25,000

		Impact and Implications			
		Scenario 1 PF capped, not EPS member	Scenario 2 PF on basic, not EPS member	Scenario 3 PF on basic, EPF + EPS member	Scenario -4 Presently excluded employee
	Provident Fund	- PF wages move from INR 15,000 pm to actuals - both Ee & Er shares rise - Dip in take-home pay	- Contributions to be done on actual wages - take-home impact - No impact if basic salary = wages	- Contributions to be done on actual wages - take-home impact - No impact if basic salary = wages	- To be enrolled as an EPF member - Contributions to be done on actual wages - take-home impact
	Pension	- Enroll as EPS member from 17 September 2026 8.33% of employer share diverted to pension - Pension eligibility on retirement	- Enroll as EPS member from 17 September 2026 - Upto INR 2,083 of employer’s contribution to pension - Pension eligibility on retirement	- Pension allocation modified - Upto INR 2,083 of employer’s contribution to pension - Higher pension entitlement	- Upto INR 2,083 of employer’s contribution to pension - Pension eligibility on retirement
	EDLI	- Wages move from INR 15,000 pm to actuals - 0.5% higher employer EDLI share - Higher employer cost	EDLI contributions on wages - upto INR 125 pm (was INR 75 pm earlier)	EDLI contributions on wages – upto INR 125 pm (was INR 75 pm earlier)	EDLI contributions on wages – upto INR 125 pm

Increase in administrative charges depending on “PF wages”

Employees with monthly wages between INR 15,001 and INR 25,000 - Illustration

Particulars	Employee 'B' - Existing member of EPF, not Pension	Employee 'C' – Existing member of EPF, not Pension	Employee 'D' – Existing member of EPF and Pension	Employee 'E' - Presently Excluded employee
Gross Salary	40,000	40,000	40,000	40,000
“Wages” as defined under the CoSS	24,000	24,000	24,000	24,000
Provident Fund calculations – Until 16 September 2026				
Base for Provident fund Contribution	15,000	16,000	16,000	16,000
Employer Pension Contribution	NIL	NIL	1,250	NIL
Employer Provident Fund Contribution	1,800	1,920	670	NIL
Provident Fund calculations - Wage month Oct 2026 onwards				
Base for Provident fund Contribution	24,000	24,000	24,000	24,000
Employer Pension Contribution	1,999	1,999	1,999	1,999
Employer Provident Fund Contribution	881	881	881	881
Increase in total Employer and Employee Contributions	2,160	1,920	1,920	5,760
Increase in allocation towards Pension Fund	1,999	1,999	749	1,999
EDLI Contribution - Until 16th Sep	75	75	75	NIL
EDLI Contribution - Effective 17th Sept 2026 (wage month Oct 2026 onwards)	120	120	120	120
Increase in EDLI Contribution	45	45	45	120

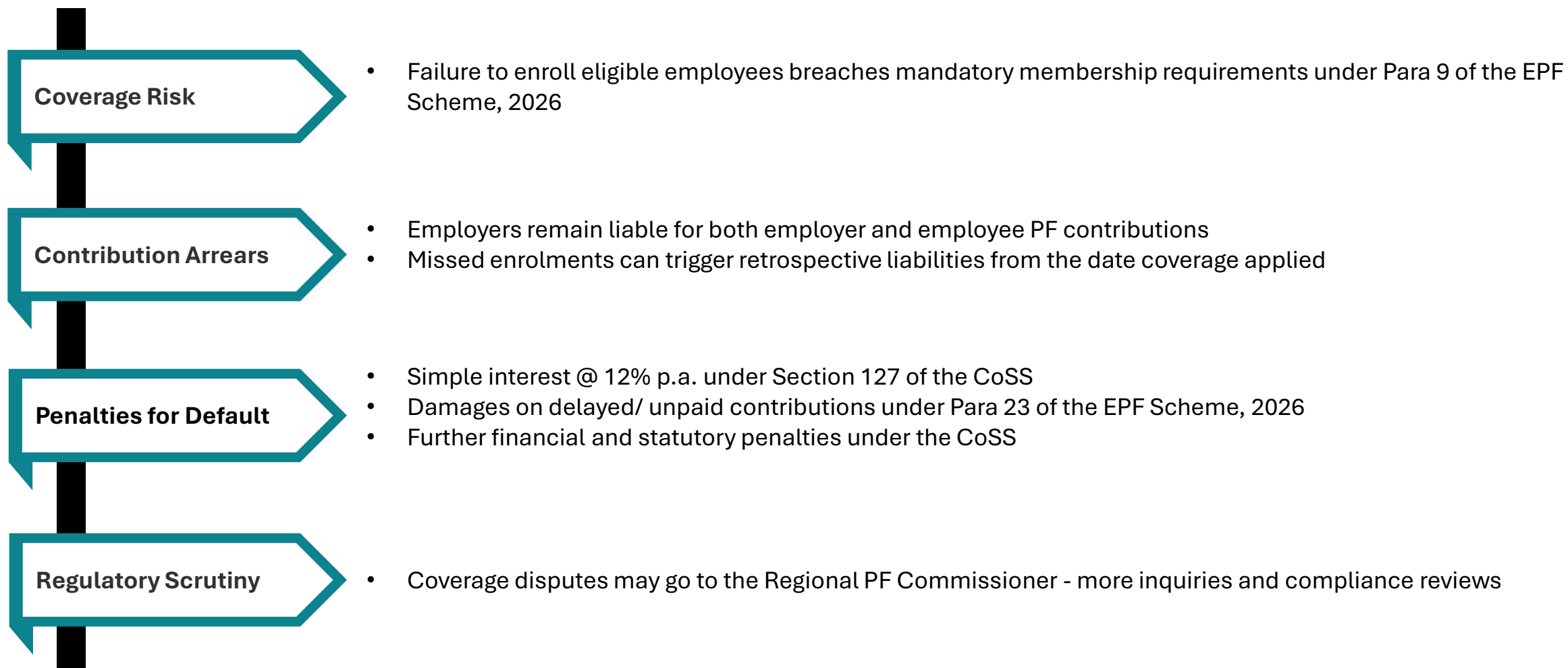
Employees with monthly wages above INR 25,000

		Impact and Implications			
		Scenario 1 PF capped, not EPS member	Scenario 2 PF on basic, not EPS member	Scenario 3 PF on basic, EPF + EPS member	Scenario -4 Excluded employee
	Provident Fund	- PF wages move from INR 15,000 pm to INR 25,000 pm - Pro-rated contribution for September 2026	- Contributions rise on the enhanced ceiling - take-home impact - No impact if basic salary = wages	- Contributions rise on the enhanced ceiling - take-home pay impact - No impact if basic salary = wages	Remains outside EPF, EPS and EDLI - no impact
	Pension	No change - stays outside EPS (wages above the new limit)	No change - stays outside EPS (wages above the new limit)	- Pension allocation modified - INR 2,083 pm of employer's contribution to pension - Higher pension entitlement	
	EDLI	EDLI on revised ceiling – INR 125 pm (was INR 75 pm earlier)	EDLI on revised ceiling – INR 125 pm (was INR 75 pm earlier)	EDLI on revised ceiling – INR 125 pm (was INR 75 pm earlier)	

Increase in administrative charges depending on “PF wages”

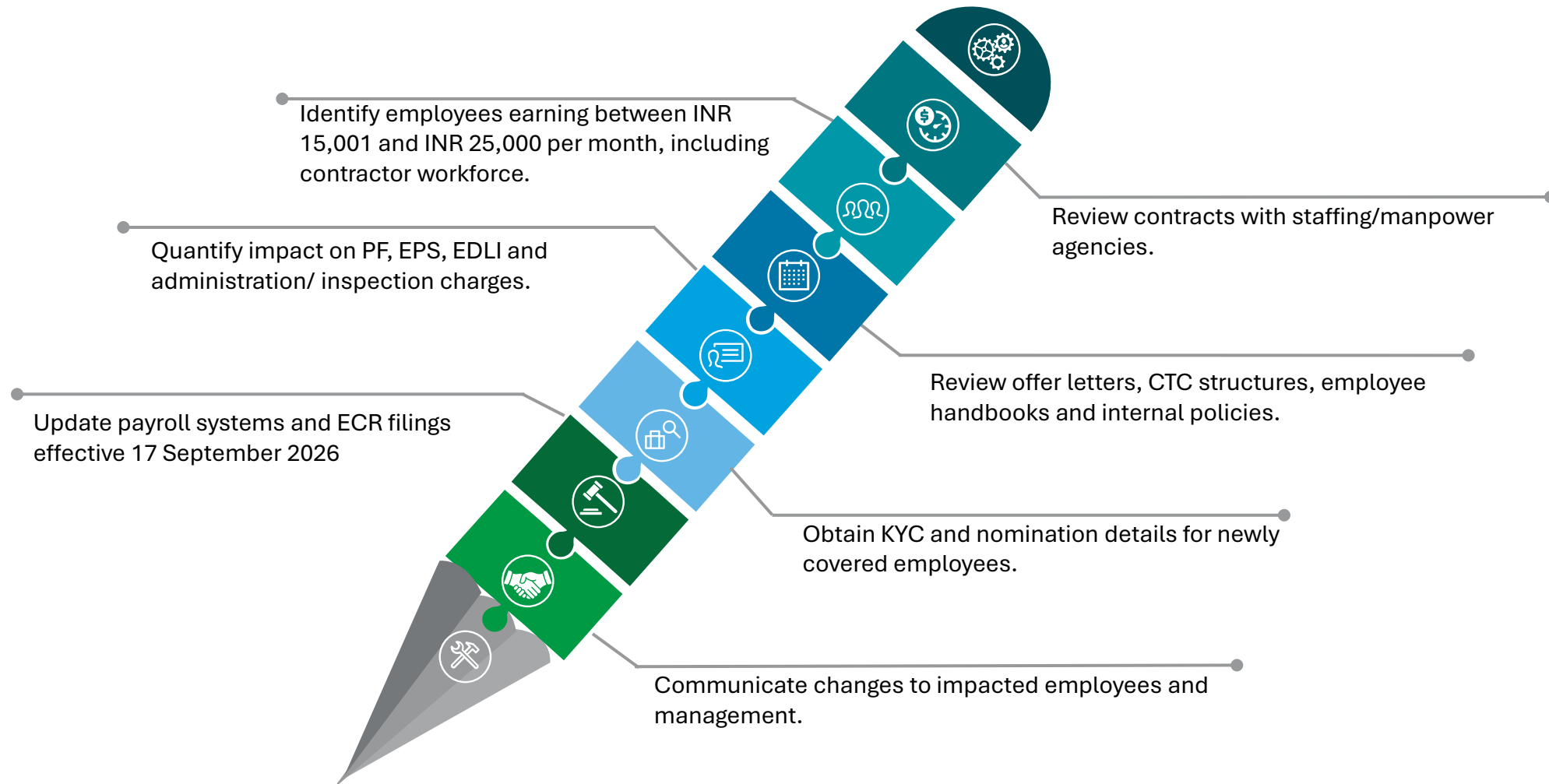
Risks and consequences of non-compliance with revised EPF wage ceiling

Risks if employers continue contributions on old wage ceiling



Immediate actions for employers

Compliance checklist



Thank you!

Kindly spare a minute to help us with your valuable feedback for today's session...

For any queries, please feel free to write to us at intax@deloitte.com



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