

# EY Alert

## SOP issued for calculation of incentive under the Pradhan Mantri Viksit Bharat Rojgar Yojana (Employment Linked Incentive Scheme)

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### Executive summary

This Alert summarizes the Standard Operating Procedure (SOP) issued on 18 November 2025 on the official webpage<sup>1</sup> for the Pradhan Mantri Viksit Bharat Rojgar Yojana (PMVBRY).

The Government had announced the implementation of new employment linked incentive scheme - PMVBRY (with effect from 1 August 2025) and had also issued the Scheme guidelines on 15 August 2025, providing details of the incentives payable under two parts under the Scheme, i.e., Part A - Incentive to employees for first time employment and Part B - Incentive for employers for generation of additional employment. However, the detailed mechanism for calculation of incentive under Part B was not issued as part of the initial guidelines.

The Government has now issued an SOP, covering the mechanism for calculation of incentive payable to employers under Part B of the Scheme. The SOP provides a 4-step approach for calculation of incentive under Part B of the PMVBRY, along with a detailed process followed at each step:

- ▶ **Step 1:** Check eligibility of establishment to receive incentive for the month
- ▶ **Step 2:** Identify eligible employees engaged in the month
- ▶ **Step 3:** Calculate net additional employment for the month
- ▶ **Step 4:** Calculate monthly incentive

The SOP also provides clarity on various other procedural aspects such as online registration, payment cycles / timelines, incentive period, provisions for exempted establishment, etc.

The SOP provides provided much-needed clarity on the calculation / payment of incentive under Part B of the PMVBRY. Organisations may review the SOP, its impact on the estimated incentive and may also setup processes for regular monitoring of additional / replacement hires, employment tenure, eligible employees, etc. that may impact the amount of eligible incentive.

<sup>1</sup> <https://pmvbry.labour.gov.in/guidelines/>



# Background

The PMVBRY (Employment-linked incentive Scheme) was launched by the Prime Minister on 15 August 2025. The Scheme was implemented with effect from 1 August 2025, with a planned financial outlay of ₹ 99,446 Crores (USD 11.23 billion). The core objective of the Scheme was to achieve the vision of Viksit Bharat@2047 by promoting the generation of sustained additional employment, increasing formalization of the workforce and enhancing employability.

The PMVBRY Scheme has two parts under which incentives are payable:

- ▶ **Part A:** Provides incentive to first-time employees registered with the Employees Provident Fund Organisation (EPFO), equal to one month's EPF wage (up to ₹15,000). The incentive under this part is payable in two installments - after 6 and 12 months of service.
- ▶ **Part B:** Provides incentive to employer of up to ₹3,000 per month per additional employee engaged for two years (extended to four years for manufacturing sector), provided the employee remains employed for at least six months.

Both Part A and Part B of the Scheme cover employees joining employment between 1 August 2025 to 31 July 2027 with gross wages up to ₹1 lakh per month.

The Government also issued the scheme guidelines on 15 August 2025 clarifying various aspects regarding the incentives payable to employees and employers. However, the detailed mechanism for calculation of incentive under Part B was not issued as part of the initial guidelines. The Government has now issued the Standard Operating Procedure (SOP), covering the mechanism for calculation of incentive payable to employers under Part B of the Scheme along with some other procedural clarifications.

## Guidelines for incentive calculation under Part B

The SOP provides 4-step approach for calculation and payment of incentive under Part B:

### ▶ Step 1: Check eligibility of the establishment

Establishment's eligibility to receive incentive for a month should be checked in the following manner:

#### i. Calculate the 'Baseline + Threshold limit':

##### Baseline:

- For establishments set up prior to 1 August 2024 = Average employee headcount from 1 August 2024 to 31 July 2025
- For establishments set up after 1 August 2024: Average employee headcount up to 31 July 2025
- For establishments set up on or after 1 August 2025: 20 (fixed baseline)

##### Threshold limit:

- Establishments with baseline of 50 or more - at least 5 additional employments
  - Establishments with baseline less than 50 - at least 2 additional employments
- ii. Determine eligibility for incentive on a monthly basis, as per the following eligibility criteria prescribed (starting from the month in which the threshold was crossed for the first time):
- For first 6 months: Average number of employees as per Electronic Challan cum Returns (ECRs) for 6 months is more than the Baseline + Threshold limit
  - For 7th to 12th month: Average number of employees as per ECRs from the 1st month up to the current month is more than the Baseline + Threshold limit
  - From 13th month onwards: Average number of employees as per ECRs filed for 12 months up to current month is more than the Baseline + Threshold limit

If the employer is not eligible for incentive as per the above criteria for any particular month, the monthly incentive for that month will be zero.

### ▶ Step 2: Identify eligible employees

Identify the number of eligible employees engaged in the month. "Eligible employee" covers employee hired:

- a. Who has joined the during the period 1 August 2025 to 31 July 2027;
- b. Whose gross wages at the time of the joining is up to ₹ 1 lakh per month; and
- c. For whom Provident Fund contribution is received by EPFO or Exempted Trust continuously for at least 6 completed months.

### ▶ Step 3: Calculate Net additional employment for the month

'Net additional employment' is defined as any new employment generated over and above the baseline during the registration period (1 August 2025 to 31 July 2027) and will be calculated as follows:

[Total employees in the establishment during the month - Baseline] or [Total eligible employees], whichever is less

### ▶ Step 4: Calculation of monthly incentive

Monthly incentive = 'Average monthly incentive' for eligible employees X Net additional employment in that month (calculated as above)

**Average monthly incentive** = (Sum of monthly incentives for each individual eligible employee) ÷ (Total eligible employees)

Monthly incentive for each eligible employee = Calculated as per the below slab rates:

EPF Wages	Monthly incentive - per additional employment
Upto ₹10,000	Up to ₹1,000
More than ₹10,000 - up to ₹20,000	₹ 2,000
More than ₹20,000	₹ 3,000

\* For employees with EPF wages less than INR 10,000, incentive will be @ 10% of EPF wages

## Other key clarifications under the SOP

The SOP has also clarified the following aspects regarding the process for calculation / payment of incentive:

- Online registration:** For availing the incentives, the organization will have to exercise the option under the EPFO Unified Employer Portal, by providing GST Number and PAN Linked Bank account details.
- First month for incentive:** The first month on which the establishment crossed threshold for the first time will be considered as the first eligible month for incentive.
- Payment cycles:** The incentive will be paid on a cumulative basis for the first six-month period cycle. Only employees completing their minimum qualifying period within this cycle will be considered for calculation of incentives.

After the first cycle, subsequent payments will be on **monthly basis** whereby the incentive for the entire period will be calculated and incentive already paid will be deducted to arrive at the net incentive payable for the said cycle.

- Incentive period:** Incentive for each net additional employment, shall continue for 24 months (48 months for manufacturing establishments) from the month in which incentive is first payable for that net additional employment.

If incentive is not payable in a particular month after payments have commenced for that net additional employment, the 24-month (or 48-month for manufacturing sector) period will not be extended.

- Calculation by the EPFO:** EPFO will check the eligibility and calculate the incentives through the IT system developed for the scheme, based on the ECRs filed by the establishments.
- Clarification for Part A incentive:** It is clarified that a first-time employee eligible for incentive under Part A of the Scheme needs to continue with the same employer continuously for the entire period. In case the employee leaves the employer and joins any other establishment thereafter, he / she will not be eligible for second instalment.
- Incentive for replacement employees:** If any employee leaves the establishment and is replaced by another employee, the employer shall be entitled to the incentive for the remaining incentive period,

applicable to that additional employment, subject to fulfilment of other eligibility conditions.

- No incentive where 7A proceedings pending:**  
The incentive under Part B of the scheme will not be provided to such establishments against which inquiries under Section 7A of the EPF Act and Para 26B of the EPF Scheme are pending. Incentive will also not be provided where the proceedings are concluded but - (a) appeals challenging the order are pending in a legal forum OR (b) the orders have not been appealed against, but have not been complied with.
- Special provisions for exempted establishments:**  
All exempted establishments carrying Private Provident Fund Trusts are eligible for availing incentives, subject to the following compliances:
  - Filing of returns (as prescribed) for each month
  - Filing of ECRs for the past period (August 2024 to July 2025) for calculation of baseline
  - Obtain Aadhaar authenticated UAN for all existing and new employees (through the Facial Authentication Technology on UMANG Mobile Application)

## Comments

The issuance of the SOP for calculating incentives under the PMVBRY has provided much-needed clarity on the incentive calculation mechanism for employers under Part B of the PMVBRY Scheme. However, the prescribed calculation method involves multiple steps and distinct approaches for various scenarios.

While the EPFO may verify eligibility and calculate incentives through its IT system based on the ECRs submitted, employers may prepare their own calculations for validation.

Key considerations for employers from the perspective of incentive calculations:

- Determination of Baseline + Threshold - basis review of past ECRs filed
- Planning of additional hires to meet Baseline + Threshold
- Setup processes for:
  - Identification of eligible employees as per the prescribed conditions
  - Monthly reconciliation of payroll data with ECRs to ensure accurate reporting in ECRs
  - Tracking employment tenure and replacement hiring for determination of net additional employment
  - Calculation of average monthly incentives basis EPF wages for eligible employees

The calculations prepared may be reconciled with the incentives calculated and disbursed by the EPFO, to identify any shortfall / mismatch.

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