

EY Alert

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

EY Alerts cover significant tax news, developments and changes in legislation that affect Indian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor.

Executive summary

This Alert summarizes the Standard Operating Procedure (SOP) issued on 18 November 2025 on the official webpage¹ for the Pradhan Mantri Viksit Bharat Rozgar 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.

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



The better the question.
The better the answer.
The better the world works.



**Shape the future
with confidence**

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 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.

Our offices

Ahmedabad

22nd Floor, B Wing, Privilon
Ambli BRT Road, Behind Iskcon Temple
Off SG Highway
Ahmedabad - 380 059
Tel: + 91 79 6608 3800

8th Floor, Building No. 14A
Block 14, Zone 1
Brigade International Financial Centre
GIFT City SEZ
Gandhinagar - 382355, Gujarat
Tel +91 79 6608 3800

Bengaluru

12th & 13th Floor
"UB City", Canberra Block
No.24 Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground & 1st Floor
11, 'A' wing
Divyasree Chambers
Langford Town
Bengaluru - 560 025
Tel: + 91 80 6727 5000

3rd & 4th Floor
MARKSQUARE
#61, St. Mark's Road
Shantala Nagar
Bengaluru - 560 001
Tel: + 91 80 6727 5000

1st & 8th Floor, Tower A
Prestige Shantiniketan
Mahadevapura Post
Whitefield,
Bengaluru - 560 048
Tel: + 91 80 6727 5000

Bhubaneswar

8th Floor, O-Hub, Tower A
Chandaka SEZ, Bhubaneswar
Odisha - 751024
Tel: + 91 674 274 4490

Chandigarh

Elante offices, Unit No. B-613 & 614
6th Floor, Plot No- 178-178A
Industrial & Business Park, Phase-I
Chandigarh - 160 002
Tel: + 91 172 6717800

Chennai

6th & 7th Floor, A Block,
Tidel Park, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR

Aikyam
Ground Floor
67, Institutional Area
Sector 44, Gurugram - 122 003
Haryana
Tel: +91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar, U.P.
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad

THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jaipur

9th floor, Jewel of India
Horizon Tower, JLN Marg
Opp Jaipur Stock Exchange
Jaipur, Rajasthan - 302018

Kochi

9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata

22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400

Mumbai

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

3rd Floor, Unit No 301
Building No. 1
Mindspace Airoli West (Gigaplex)
Located at Plot No. IT-5
MIDC Knowledge Corridor
Airoli (West)
Navi Mumbai - 400708
Tel: + 91 22 6192 0003

Altimus, 18th Floor
Pandurang Budhkar Marg
Worli, Mumbai - 400 018
Tel: +91 22 6192 0503

Pune

C-401, 4th Floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

10th Floor, Smartworks
M-Agile, Pan Card Club Road
Baner, Taluka Haveli
Pune - 411 045
Tel: + 91 20 4912 6800

Ernst & Young LLP

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EYG member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is one of the Indian client serving member firms of EYGM Limited. For more information about our organization, please visit www.ey.com/en_in.

Ernst & Young LLP is a Limited Liability Partnership, registered under the Limited Liability Partnership Act, 2008 in India, having its registered office at Ground Floor, Plot No. 67, Institutional Area, Sector - 44, Gurugram - 122 003, Haryana, India.

© 2025 Ernst & Young LLP. Published in India.
All Rights Reserved.

ED None.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

ey.com/en_in



@EY_India



EY



EY India



EY Careers India



@ey_indiacareers



Download the EY India Tax Insights App