

EY Alert

FAQs issued by the Employees' Provident Fund Organisation on implementation of the revised Provident Fund wage ceiling

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Executive summary

The Ministry of Labour and Employment has notified an increase in the statutory wage ceiling from INR 15,000 to INR 25,000 per month for the purposes of Chapter III of the Code on Social Security, 2020 (COSS), with effect from 17 September 2026. The revised ceiling has implications for coverage and contributions under the Employees' Provident Fund (EPF), Employees' Pension Scheme (EPS) and Employees' Deposit-Linked Insurance Scheme (EDLI).

Following the notification, the Employees' Provident Fund Organisation (EPFO) has issued Frequently Asked Questions (FAQs) on the implementation of the revised statutory wage ceiling. The FAQs provide operational guidance for the September 2026 transition and clarify several aspects relating to EPF, EPS and EDLI coverage and contributions, including matters discussed in our EY Alert dated 17 September 2026.

Importantly, the FAQs provide additional operational clarifications on the following:

1. Pro-rated calculation of contributions for September 2026
2. Filing of a single Electronic Challan-cum-Return (ECR) for September 2026
3. Recovery through the October 2026 payroll of the additional employee contribution for September in specified cases
4. Treatment of cost to company (CTC) arrangements
5. Impact on employee take-home pay and access to EPF accumulations
6. Continuation of the INR 7 lakh cap on EDLI benefits
7. Immediate actions for employers and employee communication

This Alert summarizes the key matters confirmed by the EPFO and highlights the additional operational clarifications relevant for employers implementing the revised wage ceiling.



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Background

The Ministry of Labour and Employment, through Notification S.O. 5109(E) dated 17 September 2026, increased the monthly statutory wage ceiling for the purposes of Chapter III of the Code on Social Security, 2020 from INR 15,000 to INR 25,000 with effect from 17 September 2026.

Our EY PAS Alert dated 17 September 2026 analysed the implications of the revision in detail, including aspects around mandatory EPF, EPS and EDLI coverage, the contribution base, allocation of pension contributions and pension benefits, EDLI contributions, administrative and inspection charges and impact on employee take-home pay.

The FAQs issued by the EPFO reaffirm the key implications discussed in our previous alert and provide additional clarity on various practical and transition-related aspects of implementation.

Key clarifications by the EPFO as per the FAQs

I. Pro-rated calculation for September 2026

Since the revised ceiling became effective on 17 September 2026, the contributions for September 2026 are required to be calculated separately for two periods:

- (a) For the period 1 September to 16 September 2026, comprising 16 days - Contributions will be subject to the earlier ceiling of INR 15,000;
- (b) For the period 17 September to 30 September 2026, comprising 14 days - Contributions will be subject to the revised ceiling of INR 25,000.

The actual calculation will depend on the employee's status before 17 September 2026. The FAQs also provide illustrations on calculation of contributions for September 2026 under different scenarios.

II. Filing of ECR for September 2026

Employers are not required to file two ECRs for September 2026. A single ECR is to be filed for the month, with contributions computed after taking both ceiling periods into account. The FAQs state that the September 2026 return is ordinarily due by 15 October 2026. The EPFO has also indicated that the employer portal will be updated and validations relaxed to facilitate reporting of proportionate contributions.

For an existing EPF member who was excluded from EPS and whose wages fall between INR 15,000 and INR 25,000, EPS membership is to begin from 17 September 2026.

III. Recovery through October 2026 payroll

As Para 22 of the EPF Scheme, 2026, employer is generally not permitted to recover employees' contribution for a particular month from the subsequent months payroll. Such recovery of employee's contribution from subsequent wages is permitted only in certain specified scenarios (such as accidental or clerical error), subject to written consent of the Inspector-cum-Facilitator.

Contravention of the above provision may be considered as an offence under Section 133 of the COSS and may attract a monetary penalty of up to INR 50,000.

However, the FAQs clarify that where the additional employee contribution for September 2026 could not be deducted from the salary of an employee newly brought within coverage, the EPFO has permitted the employer to recover the employee share in the subsequent payroll cycle for take-home salary computation. No formal relaxation, prior approval or separate intimation to the Inspector-cum-Facilitator is required for this payroll adjustment.

This relaxation does not extend the statutory reporting or remittance timelines. The employer is still required to file the ECR for September 2026 with full particulars and remit both the employer and employee components by the applicable due date (15 October 2026) to avoid interest and penalty. Employers can therefore initially fund the non-deducted employee share for such employees and subsequently recover it through the October 2026 payroll.

IV. Illustrations for PF contribution and pension allocation

The FAQs contain the illustrations for full-month contribution for different levels of monthly PF wages, that may be relevant from October 2026 onwards. The illustrations essentially clarify the following principles on contributions:

- (a) Where monthly wages are less than INR 15,000: No change in contributions
- (b) Where monthly wages are between INR 15,000 to INR 25,000: Contributions to be calculated basis actual 'wages'
- (c) Where monthly wages are more than INR 25,000: No change in total contributions, however, there may be a change in split between EPF and EPS contributions if the individual is an existing EPS members

V. Adjustment of employer contributions from employees' CTC (Cost to Company)

The EPFO has clarified that CTC is an arrangement between the employer and employee and is not the statutory basis for determining provident fund liability. Contributions are required to be computed by reference to statutory wages and the relevant

scheme provisions.

The FAQs also clarify that the employer and employee contributions are legally distinct, and the employer's statutory contribution cannot simply be treated as an employee deduction merely because it is described as part of CTC. It further states that employers should ensure that statutory wages are not reduced contrary to applicable law.

This clarification reinforces the position as per Para 21 of the EPF Scheme, 2026 which provides that employer shall not be entitled to deduct the employer's contribution from the wages of a member or otherwise to recover it from the member.

Deduction or attempted deduction of the employer's contribution from an employee's wages or reduction of wages or benefits of an employee, may be considered as an offence under Section 133 of the COSS and may attract a monetary penalty of up to INR 50,000.

VI. Impact on net take-home pay and access to PF accumulations

Employees whose contribution base increases may experience a reduction in monthly take-home pay because the employee share of contribution will rise. For example, an employee with EPF wages of INR 20,000 would now contribute INR 2,400 per month, compared to INR 1,800 earlier where contributions were restricted to the INR 15,000 wage ceiling.

The EPFO has emphasised that the higher employee contribution is credited to the employee's own PF account, earns applicable interest and is accompanied by the employer contribution, while EPS supports pension benefits.

The FAQs also refer to the revised withdrawal framework under which up to 75% of the eligible PF balance may be withdrawn in specified circumstances, with 25% retained as the minimum balance, subject to the applicable provisions. Employee communication may therefore explain both the immediate take-home impact and the corresponding long-term social security benefit.

VII. EDLI benefit remains capped at INR 7 lakh

The EPFO has specifically clarified that the maximum EDLI assurance benefit does not increase to INR 10.5 lakh. Although the wage-linked calculation at a monthly wage of INR 25,000, together with the EPF balance component, may mathematically reach INR 10.5 lakh, the present EDLI Scheme continues to cap the benefit at INR 7 lakh. The FAQs note that an actuarial valuation of the EDLI fund will be undertaken and future enhancement in the limit may be considered based on that analysis.

VIII. PMVBRY benefit remains capped at INR 15,000

The FAQs clarify that the benefit available to eligible first-time employees under Part A of the Pradhan Mantri Viksit Bharat Rozgar Yojana (PMVBRY) will not increase following the revision in the EPF wage ceiling. The benefit will continue to be equivalent to one month's EPF wage, subject to the existing maximum of INR 15,000, in accordance with the PMVBRY framework.

Accordingly, the increase in the statutory wage ceiling to INR 25,000 does not result in a corresponding enhancement of the employee incentive available under Part A of the scheme.

IX. What employers should do now?

As per the FAQs, the EPFO has advised employers to commence implementation immediately rather than wait for the next payroll cycle, as the revised wage ceiling is effective 17 September 2026.

Key actions include:

- Identify affected and newly covered employees
- Review PF wages, EPF / EPS membership status and EPF / EPS contribution arrangements
- Calculate September contributions for the 16-day and 14-day periods
- File a single ECR for September 2026 ensuring it correctly captures the applicable contributions and remit contributions within the prescribed timeline (i.e., 15 October 2026)
- Update systems and maintain an audit trail
- Review contractor compliance wherever contract labour is engaged
- Monitor further EPFO guidance

X. Employee communication

The FAQs also provide guidance to employers on the key message to be communicated to employees:

The revised wage ceiling widens statutory social security coverage, enabling eligible employees to benefit from provident fund savings, pension protection and insurance coverage, subject to applicable conditions. For existing members, contributions on a higher statutory wage base may increase retirement savings and pensionable wages. While the higher employee contribution may reduce take-home pay, it is matched by the employer's contribution and provides benefits such as interest at 8.25% per annum for FY 2025-26, tax-free savings, monthly pension and premium-free insurance, which outweigh the enhanced deduction.

Comments

The FAQs provide timely operational guidance on the implementation of the revised wage ceiling. In particular, the clarification on pro-rated calculations, filing of a single ECR for September 2026 and permission for recovery of the employee contribution through the subsequent payroll cycle will assist employers in managing the mid-month transition. However, the complete statutory liability for September is still required to be reported and remitted within the prescribed timeline.

Given the immediate effective date, employers may undertake an immediate employee-level assessment to identify affected employees, verify their EPF and EPS membership and contribution arrangements, complete the pro-rated calculations and appropriately configure payroll and compliance systems. A clear audit trail of the employee population, calculations and system changes may also be maintained.

The payroll recovery relaxation appears to specifically cover employees newly brought within EPF coverage. Further clarity may therefore be required on whether it also applies to increased contributions for existing members.

Employers may carefully review CTC arrangements and contract labour compliance, while continuing to monitor further EPFO circulars and portal guidance.

Employee communication is equally important, particularly where the higher employee contribution affects take-home pay and / or there is a change in the split in contributions to EPS. Communications may clearly explain the immediate payroll impact as well as the corresponding benefits of enhanced provident fund savings, pension protection and insurance coverage.

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