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EPF Coverage Expands: What the New INR 25,000 Monthly Wage Ceiling Means for Employers

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Background

In a significant development for the industry and employees, the Union Ministry of Labour and Employment, through a notification published in the Official Gazette dated 17 September 2026 (Notification), ***has revised the statutory wage ceiling for mandatory coverage of employees from INR 15,000 per month to INR 25,000 per month*** for the purposes of Chapter III of the Code on Social Security, 2020 (SS Code).

This Notification supersedes the earlier notification issued by the MoLE on 29 May 2026, which clarified that the wage ceiling for employees' provident fund (EPF) contributions was INR 15,000 per month and takes effect from the date of its publication in the Official Gazette, i.e., 17 September 2026.

The wage ceiling under the erstwhile Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act), and the schemes thereunder, including the Employees' Provident Funds Scheme (EPF Scheme), Employees' Pension Scheme (EPS), and Employees' Deposit-Linked Insurance Scheme (EDLI), was last revised in 2014, when it was increased from INR 6,500 per month to INR 15,000 per month with effect from 1 September 2014.

While the change itself appears straightforward, it has wider implications for provident fund coverage, contributions costs, pension and deposit linked insurance benefits, compensation structures and payroll administration. We have set out below some of these key aspects that employers should take note of.

Key Aspects of the Notification

- The revised wage ceiling of INR 25,000 per month will apply for the purposes of EPF contributions, EPS contributions, and EDLI contributions. This ceiling, like the previously notified wage ceiling, is the determining threshold for both mandatory coverage and the maximum wages on which statutory social security contributions are required to be computed.

- Importantly, the said ceiling applies to 'wages' as statutorily defined and not to gross salary. Employers should therefore assess their salary structures against the definition of 'wages' under the SS Code.

- Employees earning wages between INR 15,001 per month and INR 25,000 per month, who were previously excluded from mandatory coverage under the schemes (*unless they had opted in voluntarily, were already covered as member beneficiaries or the establishment had extended coverage to them*), will now be mandatorily covered. This brings a larger segment of the workforce under the organised social security framework.

- For employees already covered under the schemes whose wages exceed INR 15,000 per month but are below INR 25,000 per month, the contribution base will now be their actual wages (*subject to the INR 25,000 monthly ceiling*), rather than the earlier monthly wage ceiling of INR 15,000, which was previously computed on the employee's "basic wages", in most cases. This will result in higher statutory contributions from both employers and employees, thereby impacting the take-home salary of affected employees and increasing employer costs correspondingly.

- The employer's contribution towards the EPS is calculated at 8.33% of wages, subject to the wage ceiling. With the revised ceiling, the maximum EPS contribution will increase from INR 1,250 per month (*8.33% of INR 15,000 per month*) to approximately INR 2,083 per month (*8.33% of INR 25,000 per month*) for eligible employees, enhancing their pensionary benefits upon retirement.

- Given that the Notification expressly states that it takes effect "*from the date of publication,*" suggesting a prospective application, the effective date for the computation of EPF contributions under the revised statutory ceiling of INR 25,000 per month is 17 September 2026.

Comment

The revision of the monthly wage ceiling has been on the anvil as an important step towards expanding social security coverage to a wider segment of the workforce and aligning the threshold with current economic realities, including the increased minimum wages applicable to employees. However, the mid-month effective date presents transitional compliance challenges that require careful consideration. Further clarity is awaited from the Employees' Provident Fund Organisation (EPFO), particularly considering that EPF contributions are computed and remitted on a monthly basis (*and not on a fortnightly or daily basis*). Accordingly, the most immediate practical challenge for employers will be determining how to treat the month of September 2026 vis-à-vis EPF contributions, given the mid-month effective date of the Notification.

In the absence of specific guidance from the EPFO on the transitional treatment for payroll for September 2026, employers would require clarity from regional EPFO offices on the applicable methodology for the transitional month. Further, employers will also need to promptly identify employees currently earning wages between INR 15,001 per month and INR 25,000 per month who were not mandatorily covered under EPF Scheme and initiate their enrolment. For existing employees earning monthly wages of INR 15,000 or more, salary structures may undergo revisions and accordingly, payroll systems will need to be updated to reflect the revised wage ceiling for EPF, EPS, and EDLI contribution calculations.

The above scenario would also result in the need for employers to communicate the changes to the affected employees regarding the potential change in their take-home salary and the corresponding increase in EPF accumulations.

Separately, principal employers should also consider the impact on their contract workforce. Where contract workers fall within the revised wage ceiling, contractors may face increased EPF coverage or contribution obligations. This can have consequential commercial implications and principal employers should therefore consider seeking confirmation from contractors regarding implementation of the revised wage ceiling for impacted contract workers.

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