

Enhancement of wage ceiling and other updates to the PF Schemes

As employers transition to the new social security regime under the Code on Social Security, 2020 (**SS Code**), further regulatory developments continue to shape the compliance landscape.

We write to you to provide an update on two significant regulatory developments following the notification of the Employees' Provident Funds Scheme, 2026 (**EPF Scheme 2026**), the Employees' Pension Scheme, 2026 (**Pension Scheme 2026**), and the Employees' Deposit-Linked Insurance Scheme, 2026 (**EDLI Scheme 2026**) (collectively, the **Schemes**), under the Code on Social Security, 2020 (the **SS Code**).

I. Enhancement of the Wage Ceiling

On September 17, 2026, the Central Government issued a notification¹ (available [here](#)) enhancing the statutory wage ceiling under Chapter III (*Employee's Provident Fund*) of the SS Code from INR 15,000 to INR 25,000 per month, with effect from the date of publication, i.e., September 17, 2026.

The wage ceiling determines employees' eligibility for mandatory coverage under the Schemes and also the wage threshold at which provident fund (**PF**) contributions may be capped.

The key impact of the enhanced wage ceiling is as follows:



i) Enhanced coverage

The wage ceiling had remained unchanged at INR 15,000 since September 2014, and this revision is estimated to bring additional employees within the ambit of mandatory Coverage under the Schemes.

Employees who earn wages up to INR 25,000 per month must now be mandatorily covered under the Schemes, subject to other applicable eligibility conditions.

Employers may continue to voluntarily extend PF coverage to employees whose wages exceed INR 25,000 per month.

¹ Notification S.O. 5109(E) issued by the Ministry of Labour and Employment, dated September 17, 2026.

Importantly, employees whose current monthly wages are up to INR 25,000, are now mandatorily to be covered under the Pension Scheme as well. Accordingly, employees who are members of the EPF Scheme 2026 (or covered under an exempted trust) are required to become members of the Pension Scheme if their wages, at the time of joining is within the wage ceiling, i.e., INR 15,000 per month prior to September 17, 2026, and INR 25,000 on and after September 17, 2026. This may result in a higher number of employees being required to be covered under the Pension Scheme from the wage month of September 2026.

Employees whose monthly wages is INR 25,000 or more will remain outside of coverage under the Pension Scheme, if they have previously also remained outside of coverage due to ineligibility as per the earlier wage ceiling as well.

ii) Increased contributions

Prior to the notification, PF contributions (employer and employee's share) for domestic workers, i.e., Indian passport holders, could ordinarily be capped at 12% of INR 15,000, i.e., INR 1,800 per month. With the new wage ceiling, employer's and employee's share of PF contributions each may now be capped at 12% of INR 25,000, i.e., INR 3,000 per month.

Employers may, however, continue to contribute on a higher wage base where applicable, including in respect of eligible employees who have exercised joint option for higher pension and are found eligible under the old Pension Scheme.

Employees also continue to have the option to voluntarily contribute on a higher wage base.

Following the increase in the wage ceiling, the quantum of PF contributions (both employer's and employee's share) may change, depending on the wages of the employee (being a domestic worker), as follows:

- ⌋ For employees whose wages are below INR 15,000 per month: the PF contributions can continue to be made at 12% of the entire wages;
- ⌋ For employees whose wages are between INR

15,000 and INR 25,000 per month: contributions will have to be made at 12% of the entire wages, and consequently the quantum of contributions for this category of employees would increase;

- ⌋ For employees whose wages exceed INR 25,000 per month: PF contributions will now have to be made at a minimum of 12% of INR 25,000, i.e., INR 3,000 per month. Where PF contributions have previously been capped at the earlier wage ceiling, contributions may consequently increase; where PF contributions have previously been uncapped and computed on 12% of the entire wages exceeding INR 25,000, the wage ceiling increase will not have an impact on monthly contributions.

Increase in monthly contributions and related administrative and inspection charges will result in additional operational costs for employers. Increase in an employee's share of contributions could also impact their take-home pay.

For International Workers

The wage ceiling does not affect eligibility and/or quantum of provident fund contributions of International Workers (**IWs**) (broadly, non-Indian passport holders) under the Schemes. Accordingly, for eligible IWs, the PF contributions must continue to be made at 12% of the entire wages without any cap.

That said, please note that the IWs regime under the erstwhile Employees' Provident Funds Scheme, 1952 (**EPF Scheme 1952**) is presently being challenged before the Supreme Court in *LG Electronics India Limited v Union of India (SLP(C) No. 010369 - / 2026)* and is currently pending determination. Thus, the position in respect of PF contributions for IWs will have to be closely monitored, including the impact of the Supreme Court's ruling in the above matter on the EPF Scheme 2026 (for further details, please refer to our earlier client alert, available [here](#)).

Next steps for employers to consider

- ⌋ Identify employees whose monthly wages falls between INR 15,000 and INR 25,000.
- ⌋ Review coverage of employees previously treated

as excluded employees on account of their wages exceeding INR 15,000 per month and determine whether enrolment under the Schemes will now be required from September 17, 2026.

- 7 Evaluate whether monthly contributions for covered employees will need to be modified, and consequent compliance costs.
- 7 Update payroll systems, processes, and documentation, including salary slips, PF passbooks, returns, etc., for compliance with the new wage, as well as intimations to employees on any change in allocation of contributions between PF and Pension accounts.
- 7 Evaluate available incentives and benefits available under the Pradhan Mantri Viksit Bharat Rozgar Yojana Scheme implemented by the Ministry of Labour and Employment.
- 7 Monitor any further implementation guidance from the EPFO, including clarifications, FAQs, guidelines, particularly regarding enrolment, contribution calculations, and transitional requirements.

Any further FAQs, guidelines, circulars or other regulatory guidance formally issued by the EPFO in this regard may provide greater clarity on the on-ground implementation of these provisions, particularly on the filing of Electronic Challan-cum>Returns (**ECRs**) and any transitional procedural compliances. It is clear however that the new wage ceiling applies from September 17, 2026, consequently resulting in different wage ceiling/bases being applied for different periods within the wage period of September 2026.

Any proposed modifications to employee compensation structures, including the capping of PF contributions at the enhanced wage ceiling, should be carefully assessed to ensure that they do not result in any adverse impact on employees. Any such proposed changes should be implemented in compliance with all applicable legal restrictions and procedural requirements, including the notice of change obligations under Section 40 of the Industrial Relations Code, 2020, and the prohibition on reducing wages or employee benefits under Section 124 of the Social Security Code, 2020.

II. Corrigenda with clarifications and corrections on the Schemes:

The Ministry of Labour and Employment (**MoLE**) issued three separate corrigenda dated August 4, 2026², to correct drafting errors and clarify certain provisions of the Schemes as originally notified (available [here](#), [here](#) and [here](#)).

While the corrigenda are largely editorial in nature, correcting terminology, cross-references, and numbering, a key clarification in the Corrigenda relates to the IWs regime. The corrigendum clarifies that certain provisions relating to employee contributions in the EPF Scheme 2026 apply specifically to an “employee other than the *International Worker*”. This effectively reinforces the distinction between the general contribution framework and the special regime applicable to IWs under the EPF Scheme 2026. Significantly, the corrigendum now clarifies that the wage ceiling notified under the SS Code for the purposes of the Schemes, does not apply to IWs, thus, removing the ambiguity created under the original notification of the Schemes.

² G.S.R. 703(E) in relation to the EPF Scheme 2026, G.S.R. 704(E) in relation to the EPS Scheme 2026, and G.S.R. 705(E) in relation to the EDLI Scheme 2026, each dated August 4, 2026

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