

EPF Wage Ceiling Raised – What Changes for Employees & Employers?

Summary

EPFO has raised the monthly PF wage ceiling from ₹15,000 to ₹25,000, effective 17th September, 2026, the first increase since 2014. This explains how the change affects EPF, EPS and EDLI coverage, employee take-home pay, pension payouts and employer costs, with worked examples and a checklist for HR teams. The Employees' Provident Fund Organisation (EPFO) has raised the monthly PF wage ceiling from ₹15,000 to ₹25,000, effective 17 September 2026. This is the first increase in the ceiling since 2014. The change expands mandatory EPF coverage to more employees and increases the contribution base for workers whose PF wages were previously capped at ₹15,000. It also changes EPS eligibility for some new employees earning between ₹15,000 and ₹25,000. Here's how the new ceiling changes contributions, take-home pay, pension eligibility, and payroll processes.

Key Takeaways

- **For HR teams:**

Update payroll systems and recheck every new joiner from 17 September 2026 onward.

- **For Employees:**

Take-home pay may drop slightly if your PF contribution was previously capped at ₹15,000.

- **For Retirement:**

Employees earning between ₹15,000 and ₹25,000 can now come under EPS and gain access to pension benefits, subject to the applicable scheme provisions.

When Does the New ₹25,000 PF Ceiling Take Effect?

The Union Cabinet approved the increase on 16 September 2026. The Labour Ministry formally notified the new ₹25,000 ceiling the following day through S.O. 5109(E), with the change taking effect from 17th September, 2026.

The change affects three EPFO schemes:

- **Employees' Provident Fund (EPF):**

The higher ceiling expands mandatory PF coverage and raises the contribution base for employees whose [PF wages](#) were capped at ₹15,000.

- **Employees' Pension Scheme (EPS):**

Newly covered employees in the ₹15,000–₹25,000 wage band can gain access to pension coverage, subject to the applicable scheme provisions.

- **Employees' Deposit Linked Insurance (EDLI):**

Newly covered employees also get [EDLI](#) protection. The maximum assurance benefit remains ₹7 lakh.

Why the PF Wage Ceiling Was Raised?

The ₹15,000 PF wage ceiling had remained unchanged since 2014, even as wages and salaries continued to rise. This meant some employees earning above the ceiling were excluded from mandatory EPF coverage when they joined. The government estimates that the revised ceiling will bring about 51 lakh additional employees under EPF coverage. It also expects the change to increase annual pension expenditure.

What the New Ceiling Does Not Change?

The EPF contribution rate remains unchanged at 12% for employees and 12% for employers. What changes is the wage ceiling used to calculate those contributions, which has increased from ₹15,000 to ₹25,000.

How Employer and Employee Contributions are Split?

The employee contributes 12% of the PF wage to EPF. The employer also contributes 12%, which is split between EPF and EPS. Of the employer's contribution, 8.33% goes to EPS, while the remaining 3.67% goes to EPF. These contributions are calculated using the applicable PF wage ceiling.

Pension Eligibility Is Expanding Too

Before the revised ceiling, new joiners earning above ₹15,000 were eligible for EPF but excluded from the Employees' Pension Scheme (EPS). With the ceiling now at ₹25,000, employees earning between ₹15,000 and ₹25,000 can qualify for EPS as well. Employees earning above ₹25,000 are not automatically eligible for EPS. They may still contribute to PF on their full wage, subject to an agreement between the employer and employee.

How the New Ceiling Affects Different Employee Groups?

The impact varies depending on an employee's wage and whether they are already covered by EPF. Here's how the new ceiling affects different groups.

Category	What changes
New joiners with PF wages between ₹15,001 and ₹25,000	Must now be enrolled in EPF and EPS
Existing EPF members	No change in membership status. Contribution base may rise if it was capped before
Employees already earning above ₹25,000 on full basic pay	No impact

Let us illustrate with some examples.

For an Employee Earning ₹20,000 a Month

At ₹20,000, the higher ceiling increases the PF contribution base by ₹5,000.

	Old ceiling	New ceiling
PF wage considered	₹15,000	₹20,000
Employee contribution	₹1,800	₹2,400
Employer contribution	₹1,800	₹2,400
Total PF contribution	₹3,600	₹4,800

Impact on Employee:

- Take-home pay ₹600 less a month.
- Retirement contribution ₹1,200 more a month.

For an Employee at or above the ₹25,000 Ceiling

At ₹25,000 or above, PF contributions are calculated on the full new ceiling of ₹25,000.

	Old ceiling	New ceiling
PF wage considered	₹15,000	₹25,000
Employee contribution	₹1,800	₹3,000
Employer EPS share (8.33%)	₹1,250	₹2,083
Employer EPF share (3.67%)	₹550	₹917
Total PF contribution	₹3,600	₹6,000

Impact on employee:

- Take-home pay ₹1,200 less a month.
- That is ₹14,400 less a year.
- Retirement contribution ₹2,400 more a month.

How the Higher Ceiling Affects Pension Payouts

The higher wage ceiling can also increase the pension amount for employees who qualify for EPS. The monthly pension is calculated using pensionable wage and years of pensionable service, divided by 70.

Years of service	Old ceiling pension	New ceiling pension
20 years (22 with weightage)	₹4,714	₹7,857
35 years (37 with weightage)	₹7,929	₹13,214

The figures for 20 and 35 years include the two-year weightage available under the EPS rules.

The new ceiling does not apply to past service automatically. Each period gets calculated on its own ceiling. The two amounts then add up together. For example, 10 years under the old ₹15,000 ceiling would contribute about ₹2,143 to the monthly pension. Another 25 years under the new ₹25,000 ceiling would contribute about ₹8,929. Together, that gives a monthly pension of about ₹11,071.

How the New Ceiling Affects EDLI Coverage?

The higher PF wage ceiling also affects the number of employees covered under EDLI. However, it does **not** increase the maximum insurance benefit. The maximum EDLI assurance remains **₹7 lakh**. Employees who come under EPF coverage through the revised ceiling will also receive EDLI coverage, subject to the scheme's provisions.

How the New PF Ceiling Affects Employer Costs?

The higher ceiling increases the employer's PF contribution for employees whose PF wages were previously capped at ₹15,000.

Example: 30 employees with PF wages above ₹15,000

- **Old employer contribution** : ₹1,800 per employee per month
- **New employer contribution** : Up to ₹3,000 per employee per month
- **Increase** : Up to ₹1,200 per employee per month
- **Increase for 30 employees** : Up to ₹36,000 per month

The actual increase will depend on each employee's [PF wage and salary structure](#).

PMVBRY Subsidy

Eligible employers may receive **up to ₹3,000 per additional employee per month** under the Pradhan Mantri Viksit Bharat Rozgar Yojana (PMVBRY), subject to the scheme's eligibility and retention conditions.

Checklist for HR Teams

HR teams should review the following areas to make sure payroll, employee records, and statutory compliance reflect the new ceiling.

- Update payroll systems to the ₹25,000 ceiling.
- Review every new joiner from 17 September 2026 onward.
- Re-check Form 11 exclusion declarations against the new limit.
- Recalculate contributions for employees near the old ceiling.
- Confirm EPS status for employees between ₹15,000 and ₹25,000.
- Check eligibility for the PMVBRY subsidy on new hires.
- Review CTC structures where PF sits inside a fixed pay band.
- Inform employees before their next payslip lands.
