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ESTD. 1971
CORPORATE, TAX AND BUSINESS ADVISORY LAW FIRM

CORPORATE CONNECT

EMPLOYEES PROVIDENT FUND WAGE CEILING INCREASED FROM RS. 15,000 TO RS. 25,000 PER MONTH

1. Background

The Ministry of Labour and Employment, Government of India, has issued Notification No. S.O. 5109(E) dated 17 September 2026 under clause (89) of Section 2 of the Code on Social Security, 2020 ("**SS Code**"), notifying Rs. 25,000 per month as the wage ceiling for the purposes of Chapter III of the SS Code, i.e. Employees Provident Fund. The notification, which came into effect on 17 September 2026, supersedes the earlier notification dated 29th May 2026. This revision increases the wage ceiling from Rs. 15,000 to Rs. 25,000 per month, thereby expanding the potential coverage of the statutory provident fund framework.

2. Overview of Revised Employees' Provident Fund ("EPF") Wage Ceiling:

Prior to the revision, employees joining an establishment with wages exceeding Rs. 15,000 per month who had not previously become members of the EPF Scheme were treated as "excluded employees" and were not mandatorily required to be enrolled. Following the revision, eligible employees drawing wages exceeding Rs. 15,000 but not exceeding Rs. 25,000 per month may fall within the mandatory coverage framework, subject to the applicable statutory conditions and their existing membership status.

Accordingly, the companies are required to review their employee records to identify employees who may become eligible for mandatory coverage pursuant to the revised wage ceiling. This review should include the employees' applicable wages, date of joining, previous EPF membership and existing contribution arrangements. Where coverage is applicable, employers should take the necessary steps to enrol such employees and comply with the relevant contribution, remittance, reporting and record-maintenance requirements under the SS Code and the applicable schemes, including the EPF Scheme, Employees' Pension Scheme and Employees' Deposit Linked Insurance Scheme.

The enhancement of the wage ceiling may have financial and administrative implications for employers whose provident fund contributions have historically been restricted to the earlier statutory ceiling.

It may also be pertinent to note Section 124 of the SS Code expressly restricts an employer from reducing, directly or indirectly, an employee's wages or the total quantum of specified benefits, merely by reason of the employer's liability to make contributions under the SS Code, whether such entitlement arises under express or implied terms of employment. Accordingly, employers should carefully evaluate any proposed changes to salary structures, contribution arrangements or employment benefits in relation to the revised wage ceiling.

Employers will also be required to review the definition of "wages" under the applicable social security legislation, including SS Code. The definition generally includes basic pay, dearness allowance and retaining allowance, if any, while excluding specified components, subject to the conditions and qualifications prescribed under the statute.

Importantly, where the aggregate of the specified excluded components under the statutory definition exceeds 50% of total remuneration, or such other percentage as may be notified, the excess is required to be added back to wages for the relevant statutory purposes. Certain components, including gratuity and retrenchment compensation or other retirement benefits falling within the specified exclusions, are treated separately under the statutory formula.

The revised wage ceiling significantly expands the scope of potential mandatory EPF coverage. Accordingly, employers should proactively review their employee base, payroll structures, and statutory compliance processes to ensure timely and seamless implementation of the revised requirements in accordance with the applicable legal framework.

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