

23rd Seminar on Current Issues in Retirement Benefits (23rd CIRB)

**Regulatory updates & related matters on EPF, EPS
and EDLI**



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Mr. Pranit Joshi,
Regional Commissioner, EPFO India

- **Mr. Pranit Joshi** is a Policy Specialist and Regional Provident Fund Commissioner (RPFC-I) with the Employees' Provident Fund Organisation (EPFO), bringing nearly 15 years of experience in public administration, including over a decade in social security delivery.
- He holds a B.Tech from IIT Guwahati, a Master of Business Laws from NLSIU Bengaluru, and an MBA in Digital Governance and Management from IIM Visakhapatnam, combining technical, legal, and management expertise.
- Mr. Pranit specializes in pension systems, labour laws, policy governance, and data analytics, and has been recognized as a World Bank Government Analytics Fellow for his contributions to government analytics and public policy.
- In today's session, he will share insights on the latest regulatory developments in the EPF, EPS, and EDLI schemes, along with the strategic implications of the Code on Social Security for employers and employees.

Session: Changes in the EPF law from a Practitioner's perspective
Venue: Hotel Sea Princess, Juhu Mumbai
Date: 11.09.2026



THE NEW STATUTORY SOCIAL SECURITY ERA

EPF Law & Scheme Reforms: Transitioning to the 2026 Schemes under the Code

A Comprehensive Guide to Key Statutory, Operational, and Scheme Amendments for EPF Practitioners

Pranit Joshi, Regional Provident Fund Commissioner-1, EPFO

EPFO at a Glance

EPFO: Managing a ₹28.02 Lakh Crore Corpus Transitioning to a Paperless Future

Massive Contributory Scale

7.83 Crore 
Contributory Members

7.98 Lakh 
Contributory Establishments

81.48 Lakh 
Pensioners (inc. 67.53L Central Govt.)

8.25% 
Interest Rate: (2024-25)

Financial & Settlement Footprint

 **₹28.02
Lakh Crore** 
Total Investment Corpus

 **6.02 Crore** 
Claims Settled

 **~₹2.41 Lakh Crore**
Total Settled Amount

The 'Nirbadh' Vision

- A shift toward universal coverage via transparent, contactless, and 100% paperless administration. 
- Focuses on Ease of Living for members and Ease of Doing Business for employers leveraging multi-locational, auto-claim platforms. 

EPFO at a Glance

Three Statutory Pillars of the 2026 Social Security Era

Employees' Provident Fund (EPF 1952)

Mechanics

- 12% Employee + 3.67% Employer contribution on Section 2(88) wages.

Core Utility

- Final settlements (Retirement, Resignation) and non-refundable advances for housing, medical, or natural calamity.

2026 Update

- Standardized 15-day portal submissions and strict 5-year limitation on historical inquiries.

Employees' Pension Scheme (EPS 2026)

Mechanics

- 8.33% Employer + 1.16% Central Govt subsidy (up to ₹15,000 wage ceiling).

Core Utility

- Superannuation, Early Retirement (age 50), and Family Pensions (Minimum: ₹1,000).

2026 Update

- Replaces EPS 1995. Fully codifies Supreme Court ruling (9.49% employer rate on actual wages) and shifts to 60-month contributory average.

Employees' Deposit Linked Insurance (EDLI 2026)

Mechanics

- 0.5% Employer contribution.

Core Utility

- Assurance benefit payable to family/nominee upon death in service.

2026 Update

- Replaces EDLI 1976. Statutory limits boosted (Min: ₹2,50,000; Max: ₹7,00,000) with automatic 20% calculation boost and 60-day employment gap allowance.

Unified Codification Replaces 7-Decade-Old Legal Framework

The transition to the Code on Social Security, 2020 merges nine central labor laws, simplifying and unifying the compliance, contribution, and judicial processes.

THE PAST: EPF & MP ACT, 1952

- Schedule I Specificity: Applicability was restricted to specified industry descriptions (Scheduled Heads), leading to frequent classification disputes.
- Fragmented Wage Bases: Diverse definitions of basic wages, DA, and other allowances caused friction and mathematical manipulation of contributions.
- No Dues Limitation: Enforcement authorities had unlimited retrospective powers to initiate inquiries (under Section 7A) for decades of back dues.
- Traditional Inspections: Discretionary physical visits by inspectors with direct prosecutorial authority, leading to administrative harassment.

THE FUTURE: CODE ON SOCIAL SECURITY

- Universal Thresholds: Applicability is simplified and based entirely on a numerical employee count (20+ employees), removing industry-type exclusions.
- Unified Wage Definition: Standardized Section 2(88) wage base restricts non-salary allowances to a 50% cap, aligning all social security contributions.
- Strict 5-Year Limitation: Hard statutory limit to initiate inquiries under Section 125, protecting employers from open-ended historical liabilities.
- Facilitator Model: Inspector-cum-Facilitators operate under web-randomized inspection schemes with mandatory advisory 'opportunity to comply' periods.

Applicability Shifts from List of Industries to Universal Thresholds



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Under the 1952 Act, an establishment had to not only employ 20+ workers but also fit into one of the specifically listed 'Scheduled Industries' or notified classes of activities in Schedule I. The new Code entirely dismantles this restrictive classification.

OLD REGIME Schedule I Industry List

- Covered only if listed
- Constant litigation over business activities
- Excluded many service & modern sectors

VS

NEW CODE Universal First Schedule

- Universal Applicability
- Threshold: 20 or more employees
- No industry classification needed
- Covers gig, unorganized & service sectors

Establishments May Exit EPF Fold via Mutual Agreement



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While statutory coverage is mandatory for establishments with 20+ employees, the Code introduces an unprecedented 'opt-out' exit route for voluntarily covered establishments under the Section 1(5) proviso.

1. VOLUNTARY ACCESSION

Small establishments (<20 workers) can voluntarily opt to apply the EPF provisions to their business on a mutual basis.

2. THE EXIT PROVISIO

Under the Section 1(5) proviso, an establishment that was covered voluntarily can choose to make the provisions inapplicable.

3. MAJORITY CONSENT

This 'opt-out' exit requires a formal agreement between the Employer and the Majority of Employees to exit the EPF fold.

4. FORMAL PORTAL EXIT

The employer submits the mutual agreement on the unified electronic portal, after which statutory contribution obligations cease.

Unified 'Wages' Definition Standardizes Contribution Baselines

Section 2(88) of the Code replaces the historical 'basic wages, DA, and retaining allowance' with a singular 'Wages' definition unified across all four labor codes. This harmonizes payroll baselines.

Wage Component	Included in Core Wages?	Excluded / Conditional Status
Basic Pay, Dearness Allowance (DA) & Retaining Allowance	YES - Core Wages	Always included as the foundational base for contributions.
House Rent Allowance (HRA), Commission, Bonus & Overtime	NO - Explicitly Excluded	Excluded, subject to the 50% allowance cap limit rule.
Conveyance, Travel Concession, Utility Allowances, Gratuity	NO - Explicitly Excluded	Always excluded from the core wages calculation.
Retrenchment Compensation & Statutory Retiring Pension	NO - Explicitly Excluded	Always excluded from the contribution base.

Excess Allowances Over 50% Pulled into Wage Base



Under the Section 2(88) proviso, if the sum total of specified excluded allowances exceeds 50% of the employee's total gross remuneration, the excess amount is pulled back into 'Wages'.

THE 50% ALLOWANCE CAP RULE

- Cap on Exclusions: Total excluded allowances (HRA, conveyance, special allowances) cannot exceed 50% of total remuneration.
- Excess is Wages: If allowances are 60% of total pay, the 10% excess is treated as 'Wages' for contributions.
- Compliance Impact: Restructures split-salary structures (e.g., low basic, very high allowances) commonly used to minimize PF liabilities.

PRACTICAL payroll SCENARIO

Employee Gross Salary: Rs. 30,000 / month

Basic Pay: Rs. 10,000 (33.3% of Gross)

Allowances (HRA + Special): Rs. 20,000 (66.6% of Gross)

Calculation Check:

- Maximum Allowed Exclusions (50%): Rs. 15,000
- Excess Allowances: Rs. 20,000 - Rs. 15,000 = Rs. 5,000
- **New Contribution Wage Base: Rs. 10,000 + Rs. 5,000 = Rs. 15,000**
- Contribution base increased by Rs. 5,000 (33.3% increase!)

Electronic Portal Mandated for Contributions and Returns



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The EPF Scheme, 2026 standardizes the compliance timelines and mandates modern electronic reporting for all covered establishments.

CONTRIBUTION RATES

12% Base Split Maintained

The statutory contribution rate remains at 12% for employees and 12% for employers (or 10% under specified schedules), calculated strictly on the unified Section 2(88) Wages.

ADMINISTRATION

15-Day Portal Submissions

All monthly contributions and the Electronic Challan-cum-Return (ECR) must be submitted electronically through the portal within 15 days of the close of each month.

VOLUNTARY HIGHER

Flexible Excess Options

Employees retain the option to contribute a higher percentage voluntarily. Employers may choose to match this voluntary excess or restrict their share to the statutory ceiling.

EPS, 2026 Integrates Fund Assets and Maintains Core Splits

The Employees' Pension Scheme, 2026 succeeds the 1995 Scheme, ensuring the continuity of existing fund accounts while aligning contributions to the statutory limits of the Code on Social Security.

STATUTORY CONTRIBUTION SPLITS

- Employer's Share: 8.33% of Wages is diverted from the overall employer EPF share into the Pension Fund.
- Government Subsidy: Central Government contributes 1.16% of Wages up to the standard statutory wage ceiling.
- Wage Base Ceiling: Standard ceiling remains Rs. 15,000 / month, subject to subsequent revisions by notification.

REGULATORY CONTINUITY & MINIMUMS

- Vesting of Old Assets: The entire net assets of the erstwhile Employees' Pension Fund (under the 1995 Scheme) stand transferred and vested in the 2026 Pension Fund.
- Minimum Pension: Minimum member pension is statutory guaranteed at Rs. 1,000 / month.
- Account Continuity: Members' service accounts and UAN records transition automatically without loss of contributory service weightage.

The landmark Supreme Court verdict on higher pension contributions is now officially incorporated into the body of the statutory regulations.

THE NEW 9.49% EMPLOYER CONTRIBUTION ON ACTUAL WAGES

- Statutory Codification: The Supreme Court judgment of November 4, 2022 (regarding the September 1, 2014 Joint Option) has been formally integrated into the statutory text of EPS, 2026.
- The 1.16% Funding Gap: Under EPS 1995, the Central Government funded a 1.16% subsidy for wages up to the ceiling. For contributions on actual wages exceeding the ceiling, this 1.16% subsidy was declared inapplicable, creating a funding deficit.
- **Employer Liability (The 9.49% Rule): For members opting for higher pensions on actual wages exceeding the standard Rs. 15,000 ceiling, the employer's contribution to the Pension Fund is increased to 9.49% (8.33% + 1.16%) on the portion exceeding the ceiling.**
- Operational Outcome: Employers must calculate and divert 9.49% of actual wages into the Pension Fund for all employees who have successfully opted for the higher pension joint option, with 2.51% remaining in the EPF account.

Pensionable Wages Determined over 60-Month Average



Under the 2026 Scheme, the method of calculating pensionable wages and benefits is unified to reflect continuous service.

PENSIONABLE WAGES AVERAGE
60-Month Contributory Average
Preceding the Date of Exit

MEMBER'S PENSION FORMULA
(Pensionable Wages × Pensionable Service)

70

- Service Weightage: A member with 20 or more years of pensionable service receives a 2-year service weightage bonus automatically added to their pensionable service.

CRITICAL CALCULATION PRINCIPLES

- The 60-Month Standard: Pensionable wages are calculated over a standard block of 60 months of contributory service, replacing older shorter blocks from initial 1995 rules.
- Non-Contributory Periods: Days for which no wages are earned / no pension contribution is paid are excluded from the 60-month block. The block is extended backwards to ensure a full 60 months of contributions are averaged.
- Pro-Rata Adjustments: Pensionable service under different wage ceiling periods is calculated pro-rata to ensure mathematical equity across historical statutory limits.

The choice of retirement age carries significant long-term financial impacts, with early retirement penalties raised to incentivize deferred exits.

EARLY PENSION (AGE 50 TO 57)

- Eligibility: Members who have completed at least 10 years of pensionable service and have left service can apply for an early pension from age 50.
- Reductions: Under EPS 2026, the reduction rate is 4% per year for every year the member falls short of age 58.
- Maximum Penalty: Exiting at age 50 results in a permanent 25% reduction in monthly pension payments.

DEFERRED PENSION (UP TO AGE 60)

- The Deferment Choice: Members who complete 10+ years of service have the option to defer drawing their pension up to age 60.
- Pension Increment: The pension amount is increased by 4% for every year of deferment beyond age 58 (max 8% permanent increase at age 60).
- Additional Contribution Option: Members can choose to continue contributing to the Pension Fund during the deferment period to maximize service years and pension base.

Assurance Benefit Redefined with Enhanced Statutory Caps



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The EDLI Scheme, 2026 provides a robust safety net for families, combining higher statutory limits with automatic payout boosts.

ASSURANCE LIMITS

Rs. 2.5L to Rs. 7.0L

The statutory limits are significantly enhanced under the 2026 scheme:

- Minimum Benefit: Rs. 2,50,000 as a guaranteed floor for active employees.
- Maximum Benefit: Rs. 7,00,000 as the maximum payout limit.

THE 20% ADDITIONAL BOOST

Para 21(5) Statutory Increase

A critical compliance provision under the EDLI Scheme, 2026:

- The calculated assurance benefit is automatically increased by an additional 20%.
- This represents a substantial statutory benefit boost for surviving families.

DOUBLE FORMULA OPTION

Higher of the Two Calculations

Calculated as the higher of:

- Formula 1: Average last 12 months' wages $\times 35 + 50\%$ of average PF balance (max 1.75L).
- Formula 2: Standard balance checks. Beneficiary receives whichever is higher.

The 2026 regulatory framework introduces strict accountability for administrative offices alongside welfare exemptions for workforce transitions.

THE 60-DAY EMPLOYMENT GAP RULE

- Continuous Service Clause: Eligible members require 12 months of continuous service immediately preceding death for nominees to claim the minimum Rs. 2,50,000 safety net.
- Gap Allowance: Under the 2026 rules, any employment gap of up to 60 days between jobs is ignored.
- Aggregation of Service: Multiple distinct spells of employment are added together, ensuring workers who change jobs do not lose their insurance safety net.

SPEEDY SETTLEMENT & DELAY PENALTIES

- 20-Day Limit: All valid EDLI claims must be settled within 20 days of receipt, down from 30 days in the old system.
- Delayed Claims Penalty: If a Commissioner fails to settle a claim within 20 days without a recorded, justified cause, they are held personally liable.
- **12% p.a. Penal Interest: The delayed amount accumulates 12% per annum penal interest, which is legally deducted directly from the Commissioner's salary.**

Inspector-cum-Facilitator Role Prioritizes Compliance Advice



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The old inspection regime, characterized by surprise local visits and immediate criminal complaints, is replaced by a web-based, computer-randomized compliance scheme that prioritizes facilitation.

1. WEB-BASED RANDOMIZATION

All inspections are generated and allocated electronically under Section 122(2). Eliminates discretionary local office audits and harassment.

2. THE CURE DIRECTION

Section 137 mandates that before initiating prosecution, the Inspector-cum-Facilitator **MUST** issue a written direction outlining the deficiencies.

3. 30-DAY COMPLIANCE WINDOW

The employer is given a mandatory 30-day window to rectify the compliance deficiency. Prosecution is barred if rectified in this period.

Inquiry Timelines Capped to Prevent Retroactive Dues Assessment



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Timelines for dues determination are capped to ensure regulatory certainty, while appeal requirements are adjusted to ease operational cash flows.

5-YEAR LIMITATION PERIOD

Hard Cap under Section 125

Inquiries for determining dues or applicability under Section 125 must be initiated within 5 years from the date of alleged default.

Protects establishments from open-ended retrospective audits going back decades (unlike old Section 7A).

2-YEAR CONCLUSION TIMELINE

Statutory Inquiry Deadline

Inquiries must be concluded within 2 years from the date of initiation.

An extension of up to 1 year is permitted for recorded reasons only, ensuring speedy administrative resolution.

REDUCED APPEAL PRE-DEPOSIT

Appeal Barrier Lowered

Pre-deposit required for filing an appeal before the Tribunal is reduced from 75% to 25% of the assessed dues under Section 23.

Lowers the financial barrier for employers to challenge arbitrary or disputed assessments.

First-Time Compliance Offences Compoundable under Section 138



Section 138 of the Code on Social Security introduces compounding mechanisms, allowing employers to resolve non-willful compliance defaults without facing criminal trials and prosecution.

STATUTORY COMPOUNDING RATES

- Offences carrying Fine Only: Compounding permitted on payment of 50% of the maximum statutory fine.
- Offences carrying Imprisonment up to 1 Year (or Fine): Compounding permitted on payment of 75% of the maximum fine.
- Pre-trial Resolution: Compounding can be applied for before or after the institution of prosecution.

EXCLUSIONS & THE 3-YEAR BAR

- First-Time Offences Only: Compounding is limited strictly to first-time compliance defaults.
- **The 3-Year Repeat Bar: Compounding is explicitly barred if the establishment commits a similar offence within 3 years of a previously compounded offence.**
- Serious Offences Excluded: Offences carrying mandatory minimum imprisonment are strictly non-compoundable.

PMVBRY

PMVBRY targets 3.5 Crore new jobs with a ₹99,446 Crore government outlay.

Financial Commitment

- Total Outlay: ₹99,446 Crore
- Targeted Job Creation: 3.5 Crore jobs

Sectoral Horizons

- Manufacturing: Up to 4 years of sustained benefits.
- Other Sectors: Up to 2 years of benefits.

PMVBRY

Implementation Window

- Registration Period: August 1, 2025 – July 31, 2027
- Implemented directly through the EPFO portal.

Automated Eligibility

- Applies to all EPFO-registered establishments.
- New and existing businesses are auto-eligible (ECR filing is mandatory).

PMVBRY

A dual-incentive structure rewards both first-time employees and participating employers



Part A: Incentive to First Timers

Target: ~1.92 Crore beneficiaries entering the formal workforce.

Incentive: One month's EPF wage (Maximum ₹15,000) for those earning up to ₹1 Lakh/month.

Delivery: Paid directly via Direct Benefit Transfer (DBT) using Aadhaar-Based Payment System.

Structure:

- 1st Installment: After 6 months of service.
- 2nd Installment: After 12 months (requires completion of Financial Literacy Program).



Part B: Incentive to Employers

Target: ~2.59 Crore beneficiaries, scaling manufacturing.

Incentive: Up to ₹3,000 per month per additional new employee.

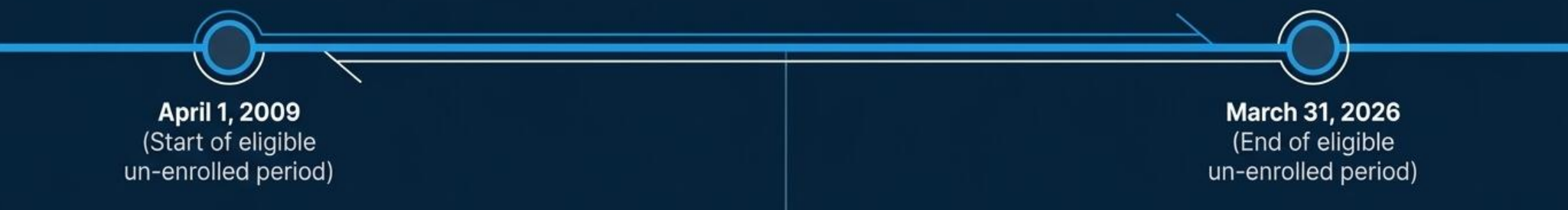
Delivery: Transferred directly to the Employer's PAN-linked bank account.

Wage Slab Breakdown:

- Wages $\leq$ ₹10k: Up to ₹1,000/mo
- Wages ₹10k - ₹20k: ₹2,000/mo
- Wages $>$ ₹20k: ₹3,000/mo (Max)

Employees' Enrollment Campaign 2026

The Employees' Enrollment Campaign 2026 secures the missing middle of the Indian workforce.



April 1, 2009
(Start of eligible
un-enrolled period)

March 31, 2026
(End of eligible
un-enrolled period)

Key Campaign Objectives

- **The Mission:** A strategic, one-time initiative by the Ministry of Labor and Employment to regularize past EPF compliance liabilities for eligible, unenrolled employees.
- **Digital First:** The entire declaration process is 100% paperless. Employers audit past wage records and generate new UANs via the UMANG App using Face Authentication.
- **Social Security Restored:** Guarantees pending Provident Fund, Pension (EPS), and Life Insurance (EDLI) dues are permanently secured for vulnerable workers.

Employees' Enrollment Campaign 2026

Unprecedented financial waivers make historical compliance achievable before the October deadline.

The Employee Relief

Restores regular interest on accumulated PF, guaranteed post-retirement pension, and emergency life insurance.

The Financial Waiver

The employee's share of historical contribution is completely waived (if not previously deducted).

Employers avoid heavy penalties, paying only their matching share, applicable interest, admin charges, and a nominal ₹100 damage fee.

The Employer Advantage

Provides a rare, legally sanctioned window to clean up historical wage records without triggering prolonged legal disputes or 7A assessments.

October 31, 2026: Campaign Deadline. The window for voluntary compliance officially and permanently closes.

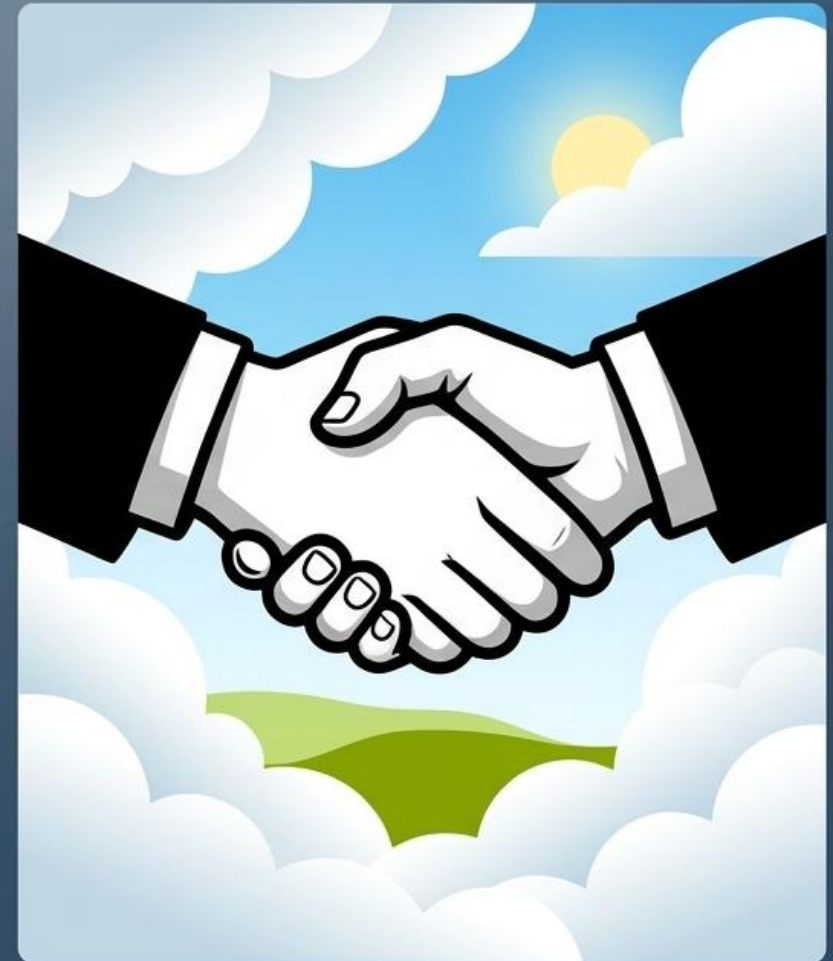
VISHWAS Scheme

The VISHWAS Scheme offers a permanent resolution for pre-June 2024 legacy PF disputes.

Voluntary Initiative for Settlement of Harmonised & Waved Assessment Scheme

- **Core Objective:** A massive drive to reduce court backlogs over delayed PF dues and encourage immediate voluntary compliance.
- **Scope of Coverage:** Strictly applies to PF payment defaults that occurred prior to June 14, 2024.
- **Applicability:** Available for cases stuck at any stage—whether pending in active court litigation, under recovery proceedings, or pending final assessment orders.

Mandatory Condition: To participate, employers must submit a digital undertaking agreeing to withdraw any pending litigation or appeals related to the dispute.



VISHWAS Scheme

Normal penalties of up to 37% are slashed to fractional monthly rates until December 2026.



100% Digital Workflow

- Handled entirely online via the EPFO Employer Portal.
- System auto-calculates the discounted damages once the employer clears the outstanding statutory interest on delayed deposits.

December 28, 2026: VISHWAS Application Window Closes (No extensions).

+15 Days: Employers have exactly 15 days from application approval to generate the ECR challan and make final payment.

Amnesty Scheme

The Amnesty Scheme 2026 grants retrospective regularization for Exempted PF Trusts.

The Core Regulatory Ambiguity (The Threat)

Many corporate establishments operate **privately managed PF Trusts** recognized under the Income Tax Act, 1961, but **lacking formal exemption orders** from EPFO under the EPF & MP Act, 1952.

The Threat: The Finance Act 2026 explicitly states that Income Tax recognition is now only available to **PF Trusts formally exempted by EPFO**, creating an existential legal and financial threat.

The 2026 Amnesty Solution (The Fix)

A **one-time, 6-month compliance initiative** allowing establishments to **retrospectively regularize the legal status** of their trusts.

The Outcome: The government **grants trust recognition and exemption status retrospectively**—starting from the inception of the trust up to the **notified cut-off date**—instantly curing years of technical non-compliance.

Amnesty Scheme

Stringent CoSS rules are completely waived for applications submitted by December 28, 2026.



Waiver of CoSS Requirements

Crucial, stringent statutory hurdles under CoSS 2020 are completely waived for applicants. This includes waivers for minimum employee headcount, minimum corpus size, and the strict three-year prior compliance rule.



Litigation & Assessment Relief

Pending assessments for EPF dues, damages, and interest will be legally treated as closed/abated, provided employees historically received contributions and interest equal to or better than the statutory EPFO rate.



Audit & Application Protocol

Historical financial accounts must be thoroughly audited and certified by a Chartered Accountant. Submit applications with proof of Income-tax recognition via the EPFO Regional Office.

December 28, 2026: The Amnesty Application Deadline.
The singular window to wipe the slate clean under the 2026 reforms officially closes.