

New EPF Scheme 2026, Changes for PF and Pension Subscribers

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New EPF Scheme Latest News

- The government has notified the Employees' Provident Funds Scheme, 2026 and the Employees' Pension Scheme, 2026, replacing the older frameworks and bringing them under the Code on Social Security, 2020.

EPF and EPS in India

- The Employees' Provident Fund (EPF) is one of India's most important social security and retirement savings mechanisms for organised sector workers. It is managed by the [Employees' Provident Fund Organisation](#) (EPFO) under the Ministry of Labour and Employment.
- Under the EPF system:
 - Employees contribute a fixed share of their wages every month
 - Employers make a matching contribution
 - The savings earn annual interest declared by EPFO

- Workers can make partial withdrawals for specified purposes and receive the accumulated amount at retirement or exit
- Alongside EPF operates the Employees' Pension Scheme (EPS), which provides monthly pension benefits after retirement, subject to service conditions. Together, EPF and EPS form the backbone of formal sector retirement security in India.
- The **new EPF Scheme, 2026 replaces the old Employees' Provident Funds Scheme, 1952**, while the **EPS 2026 replaces the earlier Employees' Pension Scheme, 1995 and the Employees' Family Pension Scheme, 1971**.

Employees' Provident Fund Scheme, 2026

- The biggest change is legal and administrative, not structural. The provident fund framework has now formally moved from the old 1952 law to the Code on Social Security, 2020.
- For existing subscribers:
 - PF balances remain unchanged
 - Universal Account Numbers (UANs) continue
 - Past contributions remain valid
 - Existing benefits continue without interruption
- **Greater Digitalisation**
 - One of the major shifts under the 2026 scheme is the formal recognition of the digital systems that EPFO has gradually built over time. These include:
 - Online filing of employer returns
 - Electronic maintenance of records
 - Digital member accounts
 - Online claim processing
 - Electronic annual statements
 - Digital inspections
 - This means PF administration will increasingly rely on digital compliance and online service delivery.
- **New Withdrawal Structure Incorporated**
 - Changes that EPFO had already announced in 2025 have now been formally incorporated. Withdrawal categories have been streamlined from 13 to 3 broad heads:
 - Essential needs such as illness, education, and marriage
 - Housing needs
 - Special circumstances
- Under the new scheme:
 - For illness of self or family members, members can withdraw up to 100% of eligible member balance after 12 months of membership. Since 25% must remain as minimum balance, this effectively allows withdrawal of 75% of total funds. The full amount can be withdrawn after one year of unemployment.
 - For education of self and family members, withdrawal is allowed after 12 months of total membership, up to 10 times during membership.
 - For marriage of self or family members, members may withdraw up to 100% of eligible member balance, with such withdrawals limited to 5 times during membership.

- For housing purposes, purchase, construction, repayment of home loan, or renovation, members can withdraw up to 75% of total funds after 12 months of membership, with withdrawals limited to 5 times.

- **Contract Workers and Principal Employer**

- For the first time, the scheme explicitly introduces the concept of the principal employer for contract workers. Where workers are employed through contractors who are not independently registered, the employer must initially pay both:
 - The employer's contribution
 - The employee's contribution
 - Along with applicable administrative charges, within 15 days of the close of every month.
- Even where a contractor makes the PF payment, the ultimate responsibility remains with the principal employer.

- **Flexibility in Voluntary Contributions**

- The new scheme expressly provides that employees may:
 - Contribute on wages above the statutory wage ceiling
 - Contribute at a rate higher than 12% through Voluntary Provident Fund (VPF)
- Employers may also choose to make matching contributions. These additional voluntary contributions may later be reduced or discontinued, providing more flexibility to employees and employers.

- **What Remains Unchanged in EPF**

- For most subscribers, the core features remain the same:
 - Employee contribution remains 12% of wages
 - Employer contribution remains equal
 - Certain notified establishments may continue with 10% contribution
 - Interest rate framework remains unchanged
 - Tax treatment remains unchanged
 - Nomination rules remain unchanged
 - Transfer of PF balance remains unchanged
- So, the new scheme does not alter the basic retirement savings structure for salaried employees.

Employees' Pension Scheme, 2026

- The new EPS 2026 has also been notified under the Social Security Code.

- **What Stays the Same**

- The pension calculation formula remains unchanged:
 - Monthly pension = Pensionable Salary × Pensionable Service / 70
 - Pensionable salary will continue to be based on the average monthly salary of the last 60 months
 - Employer contribution to EPS remains 8.33% of wages, subject to the wage ceiling
 - Government contribution remains 1.16% of wages, subject to the wage ceiling
 - The minimum pension remains Rs 1,000 per month, subject to existing conditions.

- Eligibility rules also remain unchanged:

- At least 10 years of eligible service is required for a pension
- Early pension can be taken from the age 50
- Pension is reduced by 4% for every year before the normal retirement age

- Members with less than 10 years of service can either withdraw benefits or obtain a scheme certificate

- **Faster Pension Claim Settlement**

- A notable operational reform is the introduction of a timeline for pension claim settlement. EPFO must now either:
 - Settle a complete pension claim within 20 days, or
 - Inform the applicant about deficiencies within the same period
- If a complete claim is delayed without a valid reason, 12% annual interest will be payable on the benefit amount, and it will be recovered from the salary of the responsible EPFO official.

- **Higher Pension Provision Incorporated**

- For employees who opted for a higher pension following the Supreme Court ruling, the additional contribution provisions have now been formally incorporated into the scheme.

Overall Significance

- The EPF Scheme 2026 and EPS 2026 are best understood as part of a broader administrative modernisation exercise under the Code on Social Security, 2020. The key changes are:
 - Shift to the new labour code framework
 - Greater digital compliance
 - Clearer rules for contract labour and exempted trusts
 - More structured withdrawal categories
 - Faster pension settlement timelines
 - Better compliance and accountability
- At the same time, the basic savings and pension architecture remains largely intact, which means there is no immediate disruption for subscribers.

Source: IE | BS

Source: <https://vajiramandravi.com/current-affairs/new-epf-scheme/>

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