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PF Above ₹15,000: One Question, Two Legal Realities

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The PF ₹15,000 Question: Why "Can We Reduce PF?" Is Actually Two Different Questions

Many companies misinterpret PF contributions above ₹15,000 by treating them as a single category. In reality, under the EPF Scheme, 2026, there are two structurally distinct arrangements — and the compliance pathway depends entirely on which one applies. Understanding this distinction is critical before making any payroll or policy decision.

Two Arrangements, Not One

• Mechanism A – Joint enrolment on actual wages: PF is calculated on the employee's full salary. There is no ceiling split; it is a single figure agreed upon jointly at enrolment. Importantly, the Scheme provides no exit clause. Reducing contributions later is not a payroll adjustment — it is a change to a service condition.
• Mechanism B – Ceiling plus voluntary top-up: PF is calculated on the statutory ceiling of ₹15,000, with any contribution above that treated as a voluntary top-up. This layer is inherently flexible — employees can reduce or stop it at any time, subject to necessary intimation formalities.

On the payslip, both look identical. Legally, they are worlds apart. The first step in any PF decision is to check the original enrolment paperwork, not to assume based on role or seniority.

Existing Employees on Actual Wages: Proceed With Caution
For employees under Mechanism A, reducing PF is a formal change of service conditions. The Labour Code requires:

- 21-day written notice to the employee.
- Workplace display of the notice.
- Proof of service.
- Ideally, written consent.

This process exists precisely because the Scheme does not provide a shortcut.

Does the 21-Day Rule Apply to All Employees?

- Excluded categories: Managerial/administrative staff and supervisory employees earning above ₹18,000/month, whose role is primarily managerial, are not legally "workers" under the Industrial Relations Code. For them, the 21-day notice requirement does not apply.
- Role-based assessment: Titles or salaries alone do not determine coverage. Many senior technical/analyst roles remain legally "workers."

Even where the 21-day rule does not apply, unilateral reduction of PF can still trigger contractual disputes, since higher contributions were part of agreed compensation. Best practice: obtain consent across all categories.

New Joiners: A Different Position
For prospective new hires, the law is company-friendly:
- PF can be fixed at the ₹15,000 ceiling as a standard policy.
- Only if structured as Mechanism A (full actual wages) does the rigidity apply — recreating the existing employee problem for a new hire.

The Hybrid Case: Actual Wages + VPF
A third scenario arises when an employee under Mechanism A voluntarily contributes above the statutory 12%:
- The base 12% on actual wages remains locked under Para 9(4).
- The additional voluntary PF (VPF) is governed by Para 19 — fully flexible.

Take separate written VPF consent for this layer — do not merge it into the original PF declaration. Carefully monitor compliance with the deduction cap under Section 18(2) of the Code on Wages, since stacked contributions can approach the statutory 50% limit on authorised deductions. (Note: this is distinct from the 50% "included/excluded wages" ceiling under Section 2(y); the two provisions operate differently.)

Does This Need to Be Reported to EPFO Separately?
No separate intimation letter or form is required to make this change effective. The adjustment is reflected in the employer's monthly Electronic Challan-cum-Return (ECR) by reporting the lower wage basis for the affected employee.

That said, we recommend filing an intimation with the EPFO to avoid future claim rejections during PF transfer or withdrawal. Maintain internal records — the notice, employee consent, and intimation letter — as supporting documentation in case the change is questioned later.

The distinction between Mechanism A and Mechanism B is not a technicality — it determines whether a PF change is a simple payroll update or a legally regulated process. Categorise the mechanism before advising payroll, and you will avoid compliance pitfalls that many companies overlook.

EPFO makes PF withdrawals simpler but adds waiting periods: 5 key changes members should know

1. 12-month waiting period for final PF settlement

EPFO has introduced a 12-month waiting period for premature final settlement of EPF balances. This means members may not be able to immediately withdraw their entire PF balance after leaving employment.
The government said the change forms part of the revised framework governing access to provident fund savings.

2. 36-month waiting period for EPS withdrawal benefits

A separate 36-month waiting period has been introduced for withdrawal benefits under the Employees' Pension Scheme. Members seeking EPS withdrawal benefits will therefore have to wait for three years, subject to applicable conditions.
The government was specifically asked about concerns surrounding this provision and the requirement to maintain a minimum balance.

3. Members can withdraw up to 75% for specified needs

While final settlement has a waiting period, EPFO has also liberalised and simplified partial withdrawals and advances.

Members can withdraw up to 75% of their PF balance under three broad categories: essential needs, housing needs and special circumstances. These provisions cover requirements such as unemployment-related expenses, medical emergencies, education and housing, subject to the applicable rules.

4. Up to 75% can be withdrawn twice a year in special circumstances

One of the significant changes is that members can avail themselves of up to 75% of their balance twice a year under special circumstances without assigning any reason, according to Labour and Employment Minister of State Shobha Karandlaje.
This provides members with greater flexibility to access their retirement savings for urgent financial requirements even as the rules place a waiting period on premature final settlement.

5. EPFO to strengthen grievance redressal and digital settlement

The government said EPFO is strengthening its grievance redressal mechanism, outreach initiatives and digital claim settlement to address members' concerns and improve awareness about the revised rules.

Karandlaje also said the amendments were placed before the 238th meeting of the Central Board of Trustees (CBT), EPF, where they were discussed before being recommended to the government for notification. The CBT includes representatives of recognised trade unions, employers, and Central and State governments.

The revised framework therefore combines tighter conditions for complete withdrawal with greater flexibility for partial access.

While members may have to wait before making a premature final EPF settlement or claiming EPS withdrawal benefits, they continue to have access to a substantial portion of their PF balance for specified needs.

The changes are aimed at balancing immediate financial requirements with the long-term objective of protecting retirement savings.

Source - Business Today

Apex Court Dismisses Plea By SBI Against NCLAT Order Directing Payment Of PF, Gratuity To Former Jet Airways Employees

The Supreme Court today dismissed a plea by the State Bank of India against a National Company Law Appellate Tribunal (NCLAT) order directing the payment of provident fund and gratuity dues to former Jet Airways workmen and employees in full.

A bench comprising Chief Justice Surya Kant, Justice Joymalya Bagchi and Justice V Mohana refused to interfere with the June 30 NCLAT order.

“Even though there are arguable points raised in this appeal, which ordinarily would require this court to decide, and the peculiar factual circumstances of the case, we are not inclined to interfere with the impugned order. The questions of law are left open to be examined in the appropriate case,” the bench said.

The NCLAT upheld an earlier order passed by the National Company Law Tribunal (NCLT) directing the airline's liquidator to pay provident fund and gratuity dues while dismissing appeals filed by the State Bank of India (SBI) and seven other financial creditors.

The lenders had argued that provident fund, gratuity and pension fund dues should form part of the liquidation estate and be distributed among all the creditors under the Insolvency and Bankruptcy Code (IBC).

They also contended that such dues could be excluded only if dedicated provident fund and gratuity funds existed at the commencement of liquidation.

The NCLAT said that employees' statutory dues would remain outside the liquidation estate, protecting them from competing creditor claims.

The Apex Court in November 2024 ordered the grounded airline's liquidation, forfeiture of Rs 200 crore infused by successful bidder Jalan Kalrock Consortium and permitted the lenders led by the SBI to encash Rs 150 crore performance bank guarantee.

Invoking its extraordinary powers under Article 142 of the Constitution, the apex court put the curtains on the insolvency proceedings of the airline by setting aside the NCLAT order.

Source - Verdictum

ESIC may raise wage ceiling to avail insurance benefits to ₹30,000

In a meeting of the Employees State Insurance Corporation (ESIC) held in New Delhi on Tuesday (August 4, 2026), employees' representatives demanded that the Union Government increase the wage limit to qualify for ESIC benefits to at least ₹30,000 from the present figure of ₹21,000.

Union Labour Minister Mansukh Mandaviya, who chaired the meeting, told the trade union members that the Union Government is "considering" the proposal and a decision will be taken soon.

Talking to The Hindu after the meeting, Bharatiya Mazdoor Sangh's (BMS) representative in the ESIC Board S. Durairaj, said if the Government raises the ceiling, the ESIC can provide coverage to more than 50 lakh workers, apart from the 3.8 crore people insured at present. "The trade unions demanded this in one voice. Two years ago, Mr. Mandaviya had told us that the Government is positively considering this proposal. We are hopeful that the Government will implement it at the earliest," he added.

The BMS leader said the definition of wages under both the Code on Wages and the Code on Social Security also helps in expanding the ambit of the ESIC. "If the basic wages, dearness allowance and other retaining allowances are kept under ₹21,000, many more workers could be added into the ESIC coverage," he said. Mr. Durairaj had written to the ESIC Director General Ashok Kumar Singh demanding that the wage ceiling should be revised urgently as minimum wages have already exceeded the existing limit in many States.

The meeting also saw trade union leaders questioning the ESIC proposal to sign contracts with primary health centres for treatment of insured workers.

The trade union representatives argued that PHCs are always available to the public in States and the ESIC and the Centre should focus on expanding infrastructure for insured workers. The meeting is learnt to have decided to postpone a decision on the proposal.

Source - The Hindu

Uttar Pradesh Cabinet Approves 180-Day Maternity Leave Twice

The Uttar Pradesh Cabinet approved a policy on 22 August 2026 that grants female state government employees 180 days of paid maternity leave twice during their service career. The decision also extends the same 180-day leave benefit to adoptive mothers who adopt children.

Maternity Leave Rules in India

The Maternity Benefit Act, 1961, is a central law that regulates maternity leave and related benefits for women employees in India. The Code on Social Security, 2020, consolidates labour welfare provisions and includes maternity-related entitlements under a broader social security framework.

UP Financial Handbook Amendment

The state cabinet approved an amendment to Rule 153(1) of the Uttar Pradesh Financial Handbook, Volume II, Parts 2 to 4. The amendment removes the earlier rule that required a minimum two-year gap between the first and second maternity leaves.

Judicial Context and Related Cabinet Decisions

The cabinet decision follows judgments delivered by the Lucknow Bench on 14 August 2026 and the Allahabad Bench of the Allahabad High Court on 28 July 2026. These rulings held that state executive rules cannot override the Maternity Benefit Act, 1961, or the Code on Social Security, 2020.

On 22 August 2026, the Uttar Pradesh Cabinet also cleared the proposal through Cabinet by circulation along with ten other state proposals. The same meeting approved a waiver of stamp duty and registration fees for transferring closed sugar mill lands of Uttar Pradesh State Spinning Company Limited and Uttar Pradesh Yarn Company Limited to the Uttar Pradesh State Industrial Development Authority.

Har Ghar Tiranga Abhiyan 2026

The cabinet approved state finance commission funding for the production of one crore flags for the Har Ghar Tiranga Abhiyan 2026 in urban areas. The figure of one crore is equal to 10 million flags.

Source - GK Today

EPFO claim delays, expert & IT staff shortage flagged by officers’ body; seeks govt intervention

Despite the EPFO launching the EPF 2026 scheme to speed up digital claim processing, the EPF Officers' Association has pointed out in a letter to the Minister of Labour & Employment, has highlighted that numerous auto EPF claims have been stuck in the system for more than 20 days without any updates for field offices or members.

In a letter dated August 3, 2026, which was also marked to the chairman of the Central Board of Trustees (CBT), EPF, the officers' body emphasized several key policy-level issues affecting the Employees' Provident Fund Organisation (EPFO).

They expressed worries about the slow claim processing, the implementation of the Centralized IT Enabled System (CITES), a lack of technical and field staff, the leadership framework within the EPFO and the need for reforms in the Employees' Pension Scheme (EPS).

In the letter, the officer group also claimed that the EPFO's staffing sanctions are at March 2008 levels and there has been no direct ISD recruitment since 2004. It also raised the demand to reconsider appointing outside officers to senior roles within the EPFO.

Here, we will cover some of the key issues and suggestions made in the letter of the EPF Officers' Association.

Officers' body says lakhs of auto claims kept pending for more than 20 days

The EPF officers' association stated that it was claimed that with the implementation of CITES, the majority of EPF claims would be processed automatically, within 2-3 days.

"Unfortunately, the experience till now has been quite the opposite. Lakhs of auto claims were kept pending in the system for more than 20 days, with no explanation to either the field offices or to the members," reads the letter.

"Field functionaries were left to their own devices for answering multitude of grievances on official grievance channels, social media & in person," the letter claims.

The officers' body says the problem has been further aggravated because instead of coming out with realistic timelines and keeping the public informed, it has been consistently said that nothing is wrong and all claims will be settled within two days.

"In todays' day & age where all such false declarations can be easily fact checked online; this creates a perception of misinformation & hiding," says the letter.

The letter mentioned that the CITES project was given to the CDAC in January 2023, with a 10-month timeline, but had been delayed inordinately.

"The project has been inordinately delayed in the development stage and even now it has been implemented in July 2026 in a piecemeal manner," reads the letter.

No direct recruitment in Information Services Division since 2004, writes body

The officers' body pointed out that the EPFO's policy-level failure was that it tried to run a modern, technology-driven organisation with insufficient internal IT infrastructure.

"There has been no recruitment in the critical Information Services Division (ISD) of EPFO for the past several years. The last direct recruitment to ISD was done in the year 2004, i.e. 22 years ago. We have been unable to even recruit a full-time CTO for the EPFO for the past 3 years," the letter mentioned.

Staffing sanctions remain at March 2008 levels, says EPF officers' body

The officers' body mentioned that the last organisational-level assessment of workload was done by the EPFO in 2016-17, and its field offices & in-position manpower continue to function on the basis of that assessment.

"Metro offices such as Mumbai, Delhi, Bengaluru, and Gurugram are under severe strain, handling technology savvy subscribers with outdated staffing norms. This mismatch has led to rising grievances and operational stress," says the letter.

EPF officers' body seeks reform in EPS pension scheme

The association also says the government has been unable to enhance pension benefits under EPS, as actuarial evaluations have consistently reported a significant deficit.

"A key reason lies in the fact that when the EPS was introduced in 1995, prevailing interest rates were in the range of 12-13%, which have since declined substantially," says the employee body.
While designing EPS 2026, the government had an opportunity to restructure the scheme to ensure financial viability while retaining inclusivity for new members, says the letter.

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EPF officers' body demands PFRDA-like reforms

The letter mentions that while the Pension Fund Regulatory and Development Authority (PFRDA) permits only three withdrawals during the entire service span of an individual, the EPFO allows multiple withdrawals.

"If the provident fund is treated merely as a bank account, retirement savings will be inadequate. The concern is compounded by the fact that new EPF members are excluded from the EPS, resulting in the absence of secured savings for the future," reads the letter.

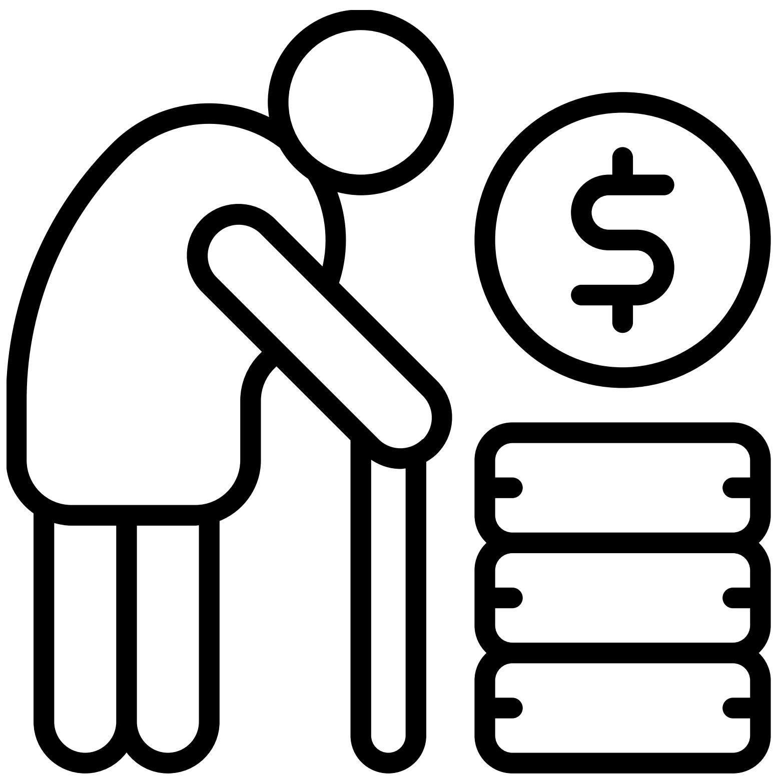
EPF officers' body seeks expert leadership

The officers' body compared the EPFO leadership with that of the PFRDA, pointing out that the latter was led by domain experts.

It also claimed that around 20% of senior cadre posts in the EPFO have been earmarked for deputation. It requested the Chairman of the Central Board to review the existing policy governing such appointments.

"If the EPFO continues to be treated like a generalist organisation where anyone, with no prior experience, can one day come to occupy a top policy-making position, then how can we be expected to compete with other expert financial sector organisations?," says the letter.

Source - The Economic Times



HIGHLIGHT

- Effective Date of Bonus Calculation under the Code on Wages, 2019
- Andhra Pradesh – The Occupational Safety, Health and Working Conditions Rules, 2026
- EPF Wage Ceiling Revision – Finance Ministry Approval
- Central Government Holiday List for the year 2027
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