FAST / FACTS

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The COMMUNIQUE

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Our Leadership Speaks

The EPFO 2026 Reforms

The EPFO 2026 reforms mark a defining moment in India's social security and payroll ecosystem. They are not merely a regulatory update but a strategic shift toward a digitally integrated, transparent, and employee-centric framework. Organizations must now reassess their payroll structures, statutory compliance processes, and workforce policies to align with the revised wage definitions, contribution mechanisms, and digital governance standards. Businesses that respond proactively will not only remain compliant but also strengthen employee confidence and operational resilience.

The reforms also reinforce the need for technology-led payroll management. Faster claim settlements, automated account transfers, simplified withdrawal rules, and enhanced digital services under EPFO 3.0 demand greater accuracy and agility from employers. PayPac can help organizations navigate this transition by automating statutory payroll calculations, ensuring timely compliance with evolving EPF regulations, managing employee records seamlessly, and reducing the administrative burden on HR and finance teams. This allows businesses to shift their focus from routine compliance to strategic workforce management.

I believe these reforms should be viewed as an opportunity rather than a compliance challenge. Organizations that embrace digital transformation, strengthen governance, and leverage intelligent payroll platforms will be better equipped to meet regulatory expectations while delivering a superior employee experience. The future of payroll is no longer about processing salaries; it is about building a compliant, efficient, and future-ready organization.

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Never miss a date

August 7th

Deposit of TDS/TCS for July 2026. (Note: Government offices paying without a challan must remit on the same day).

August 7th

Uploading of declarations received in Form No. 127 from buyers in the month of July 2026.

August 14th

Issue certificate in Form No. 132 under section 395(4) for TDS under section 393(1) [Table Sl. No. 2(i), 3(i), 6(ii) & 8(vi)] for the month of June 2026.

August 15th

Issue of TCS certificate in Form No. 133 under section 395(4) for tax collected at source for the quarter ending June 30, 2026.

August 15th

Issue of TDS certificate in Form No. 131 under section 393(1) for TDS (other than salary, pension, or specified senior citizen interest) for the quarter ending June 30, 2026.

August 15th

Furnishing of Form No. 137 by an office of the Government where TDS/TCS for July 2026 was paid without the production of a challan.

August 15th

Statement in Form 1 by the stock exchange for July 2026 regarding modified client codes after registering in the system.

August 30th

Furnishing of challan-cum-statement in Form No. 141 for deduction of tax under section 393(1) [Table Sl. No. 2(i), 3(i), 6(ii) & 8(vi)] for the month of July 2026.

August 31st

Furnishing of statement in Form No. 10-EE to claim relief under section 89A for income from foreign retirement accounts (if required to submit ITR by August 31, 2026).

August 31st

Furnishing of Form No. 10BBD detailing funds received from eligible persons directly or via an Alternative Investment Fund for the previous year 2025-26 (if required to submit ITR by August 31, 2026).

August 31st

Furnishing of declaration in Form No. 10BA for claiming rent deduction under section 80GG (if required to submit ITR by August 31, 2026).

August 31st

Due date for furnishing the return of income (ITR) for AY 2026-27 for assessees whose accounts are not required to be audited and Section 92E does not apply (including partners under Section 5A).

August 31st

Furnishing of Form No. 10E by an employee claiming relief under section 89 for salary in arrears or advance (if required to submit ITR by August 31, 2026).

August 31st

Furnishing of certificate in Form No. 10CCD by a resident author claiming deduction under section 80QQB regarding royalty income (if required to submit ITR by August 31, 2026).

August 31st

Furnishing of certificate in Form No. 10CCE by a resident patentee claiming deduction under section 80RRB regarding royalty income on patents (if required to submit ITR by August 31, 2026).

August 31st

Furnishing of Form No. 3CT by the transferor of shares/interests in an entity deriving substantial value from Indian assets, certified by an accountant (if required to submit ITR by August 31, 2026).

August 31st

Furnishing of statement in Form No. 3CFA to opt for concessional tax under section 115BBF on royalty income from Indian patents (if required to submit ITR by August 31, 2026).

August 31st

Statement in Form No. 10 to accumulate income for future application under Section 10(21) or 11(1) (if required to submit ITR by October 31, 2026). Note: Must be filed on or before the ITR due date to avail benefits [Circular 6/2023].

August 31st

Furnishing of the medical certificate in Form No. 10-IA certifying disability for purposes of sections 80DD and 80U (if required to submit ITR by August 31, 2026).

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ALL YOU NEED TO KNOW ABOUT EPFO 3.0: THE DIGITAL FUTURE OF PAYROLL COMPLIANCE

Introduction

India's social security landscape has entered a transformative phase with the notification of the Employees' Provident Funds (EPF) Scheme, 2026, Employees' Pension Scheme (EPS), 2026, and Employees' Deposit Linked Insurance (EDLI) Scheme, 2026. Effective 29 June 2026, these reforms replace the long-standing 1952 framework and align provident fund administration with the Code on Social Security, 2020. More than a legislative update, the reforms signal a strategic shift toward a digitally integrated, transparent, and employee-centric social security ecosystem through the EPFO 3.0 initiative.

For employers, the implications extend far beyond statutory compliance. Payroll structures, compensation design, HR policies, and compliance mechanisms must now evolve to meet the new regulatory expectations. Organizations that proactively embrace these reforms will not only reduce compliance risks but also enhance employee trust, operational efficiency, and governance standards.

Rethinking Payroll Under the New Wage Framework

One of the most impactful changes arises from the revised definition of "wages" under the Code on Wages. The new framework restricts excessive use of allowances for reducing statutory liabilities. If excluded allowances such as House Rent Allowance (HRA) and special allowances exceed 50% of total remuneration, the excess amount is treated as wages for EPF purposes. Consequently, employers may need to redesign salary structures, increasing provident fund contributions while strengthening employees' retirement savings.

The statutory wage ceiling of ₹15,000 per month remains unchanged. Contributions beyond this ceiling continue to be voluntary under the Voluntary Provident Fund (VPF), with employees now having the flexibility to begin, modify, or discontinue voluntary contributions during the year. Employers are not required to match these voluntary contributions, providing greater clarity in payroll administration.

Table 1: EPF Contribution Structure (2026)

Contribution Component	Rate	Destination	Key Takeaway
Employee Contribution	12%	EPF Account	Mandatory up to the statutory wage ceiling
Employer EPF Share	3.67%	EPF Account	Balance of employer's 12% contribution
Employer EPS Share	8.33%	Pension Account	Capped at ₹1,250 per month
EDLI & Administrative Charges	1%	Insurance & Administration	Employer-borne statutory cost

Simplified Withdrawals with Stronger Retirement Protection

The EPFO has simplified withdrawal provisions by consolidating multiple withdrawal categories into three broad classifications: Essential Needs, Housing Requirements, and Special Circumstances. Medical emergencies now allow withdrawals of up to 100% of the eligible balance without a minimum service requirement, significantly improving financial accessibility during critical situations.

However, the reforms equally emphasize retirement security. The introduction of the Eligible Member Balance requires at least 25% of the accumulated corpus to remain invested during active service. Employees may generally withdraw up to 75% of their accumulated balance while ensuring that long-term retirement savings continue to benefit from compounding. Similarly, the waiting period for complete withdrawal after unemployment has been extended, encouraging preservation of retirement savings.

Table 2: Major Employee-Centric Changes

Area	Earlier Framework	EPFO 2026 Reform
Wage Definition	Greater flexibility in salary structuring	Allowances beyond 50% treated as wages
VPF Contributions	Annual restrictions	Can be started, modified, or discontinued anytime
Medical Withdrawal	Limited conditions	Up to 100% eligible balance
Partial Withdrawals	Multiple categories	Three simplified categories
Retirement Corpus	No mandatory retention	Minimum 25% corpus retained during service

EPFO 3.0: Accelerating India's Digital Social Security Vision

Perhaps the most significant transformation lies in EPFO 3.0, which introduces a technology-driven approach to provident fund administration. Eligible EPF claims are now targeted for settlement within three days, while the auto-settlement threshold has increased from ₹1 lakh to ₹5 lakh, enabling faster access to funds for members. Automated account transfers eliminate paperwork during job changes, improving the overall employee experience.

The reforms also introduce an unprecedented level of administrative accountability. Pension and insurance claims are expected to be settled within 20 days, with penal interest payable for unjustified delays. Future integration with UPI and ATM-based withdrawals promises even greater convenience, making provident fund services more accessible than ever before.

Table 3: EPFO 3.0 Highlights

Priority Area	Recommendation Action
Compensation Structure	Review salary components under the revised wage definition
Payroll Compliance	Update payroll systems for EPF, EPS and EDLI changes
Contract Workforce	Strengthen contractor compliance monitoring
Employee Records	Maintain Aadhaar-linked digital records
Employee Awareness	Educate employees about new withdrawal and VPF provisions
Digital Payroll	Adopt intelligent payroll platforms such as PayPac to automate statutory compliance, minimize manual intervention, and stay aligned with evolving regulations

What Employers Should Prioritize

The EPFO reforms reinforce that payroll compliance is no longer just an HR responsibility—it has become a strategic governance function. Employers must review compensation structures, ensure accurate statutory deductions, strengthen contract labour compliance, and maintain digitally integrated employee records. Tax harmonization measures and enhanced governance requirements for exempted trusts further underscore the need for robust compliance systems.

Organizations should also recognize that manual payroll processes are increasingly unsustainable in a dynamic regulatory environment. Intelligent payroll platforms can automate statutory calculations, ensure timely compliance, maintain audit-ready records, and significantly reduce administrative effort.

Technology as the Compliance Enabler

As regulatory requirements continue to evolve, organizations need payroll systems that go beyond salary processing. Solutions such as PayPac help enterprises simplify payroll operations by automating statutory calculations, ensuring timely compliance with EPF, EPS, and EDLI provisions, maintaining accurate employee records, and adapting seamlessly to regulatory updates. By reducing manual intervention and compliance risk, HR and finance teams can focus on strategic initiatives that create greater value for the organization.

Looking Ahead

The EPFO 2026 reforms represent much more than an update to provident fund regulations. They redefine how organizations approach payroll governance, employee benefits, and digital compliance. By combining simplified processes, faster service delivery, enhanced transparency, and stronger retirement protection, the reforms establish a modern social security framework that benefits employers and employees alike.

Forward-looking organizations will view these reforms not as a compliance burden but as an opportunity to modernize payroll operations, strengthen governance, and improve employee experience. With robust digital processes and intelligent payroll solutions supporting compliance, businesses can confidently navigate this new era while building resilient, compliant, and future-ready workplaces.

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