Employees' Provident Fund (EPF)

The salaried retirement default, 12% of you, 12% of your employer, at 8.25%.

8.25% p.a. | EEE (with a high-contribution cap)

What is EPF?

EPF is the retirement backbone for salaried India. Every month you contribute 12% of your basic + DA, your employer matches it, and the balance earns a government-declared rate (8.25% for FY 2025-26), compounded yearly. It's an EEE product, contributions get 80C, interest is tax-free (up to a limit), and the maturity is tax-free after five years of service, making it a quietly powerful, low-effort retirement builder.

In brief

Suits	Salaried employees; contributions are deducted from pay with an equal employer share.
You get	8.25% a year for 2025-26, declared by EPFO.
Your money	For retirement; partial withdrawals allowed for set needs such as housing, education and illness.
Tax	Tax-free after 5 years of service; interest on contributions above ₹2.5 lakh a year is taxable.
Watch for	Keep your UAN linked to Aadhaar and bank account so claims settle quickly.

Key facts

Interest rate	8.25% p.a. (FY 2025-26)
Contribution	12% of basic+DA by you, 12% by employer
Employer split	8.33% to EPS (pension) + 3.67% to EPF
Tax	EEE; interest on contributions above ₹2.5L/yr is taxable
Withdrawal	Tax-free after 5 years of continuous service

What's new

Jun 2026 The Finance Ministry ratified 8.25% interest for 2025-26, and EPFO was asked to credit accounts.

Mid 2026 Withdrawals through UPI and ATMs under EPFO 3.0 were still in trial and had not launched widely.

Oct 2025 EPFO simplified withdrawals: three categories instead of thirteen, 12 months of service, up to 100% of the eligible balance with 25% kept, and full settlement after 12 months of unemployment.

Questions and answers

THE BASICS

How does EPF work?

If you're a salaried employee at a covered establishment, 12% of your basic + DA is deducted every month and your employer contributes an equal 12%. The money sits in your EPF account (linked to your UAN), earns interest each year, and is meant to be withdrawn at retirement, building a large corpus almost on autopilot.

How is the employer's 12% split?

Your full 12% goes to EPF. But the employer's 12% is split: 8.33% goes to the Employees' Pension Scheme (EPS), capped at a ₹15,000 wage, i.e. up to ₹1,250 a month, and the remaining 3.67% goes to your EPF. So your EPF corpus grows on your 12% plus the employer's 3.67% (our calculator uses 24% and notes this caveat).

What is the UAN?

The Universal Account Number, a permanent 12-digit number that links all your EPF accounts across jobs. Once your UAN is activated and KYC-seeded, you can check your passbook, transfer your balance when you switch jobs, and withdraw online.

INTEREST

What is the current EPF interest rate?

The EPFO has declared 8.25% for FY 2025-26, unchanged for the third year running. The rate is decided each year by the EPFO's Central Board of Trustees and notified after government approval. Interest is calculated monthly but credited to your account once a year.

ELIGIBILITY & CONTRIBUTIONS

Who must have EPF?

EPF is mandatory for employees earning basic + DA up to ₹15,000 a month at establishments with 20+ employees. Those earning above ₹15,000 can still be members (most are), by agreement with the employer. The self-employed and informal workers aren't covered, they can use PPF/NPS instead.

What is VPF, can I contribute more?

Yes. Through the Voluntary Provident Fund (VPF), you can contribute MORE than the mandatory 12% (up to 100% of basic + DA), and it earns the same 8.25%. The employer is not required to match the extra. VPF is a popular way for salaried savers to lock in a high, safe, tax-advantaged rate.

TAX TREATMENT

Is EPF tax-free?

Largely EEE: your contribution qualifies under section 123 (earlier 80C), the interest is tax-free, and the maturity is tax-free, provided you've completed 5 years of continuous service. There is one important cap (below) on very high contributions.

What is the ₹2.5 lakh interest-tax rule?

Since April 2021, interest on your OWN EPF/VPF contributions above ₹2.5 lakh in a financial year is taxable (the threshold is ₹5 lakh if your employer does not contribute, e.g. some government funds). Contributions up to ₹2.5 lakh a year remain fully tax-free. This mainly affects high earners making large VPF top-ups.

What if I withdraw before 5 years?

Withdrawing before 5 years of continuous service makes the amount taxable, the employer's contribution and interest are taxed as salary, and any 80C you claimed on your own contributions can be reversed. TDS applies if the taxable withdrawal exceeds ₹50,000 (and you haven't submitted Form 15G/15H). Transferring, not withdrawing, when you change jobs avoids this.

WITHDRAWALS

When can I withdraw my full EPF?

On retirement (age 58). Under the rules EPFO announced in October 2025, if you lose your job you can withdraw 75% at once and the full balance after 12 months of unemployment; the EPS pension balance after 36 months. Full withdrawal is also allowed on permanent disability.

Can I make partial withdrawals (advances)?

Yes. Since October 2025 the 13 old advance types are merged into three: essential needs (illness, education, marriage), housing, and special circumstances. You need 12 months of service, can withdraw up to 100% of the eligible balance, and must keep 25% as a minimum balance. Education can be claimed up to 10 times and marriage up to 5.

JOB CHANGE & PENSION

Should I transfer or withdraw when I change jobs?

Transfer, almost always. Withdrawing resets your "continuous service" clock (risking tax) and breaks compounding. With your UAN, transferring the balance to your new employer's EPF is a simple online request, keep the corpus growing and tax-free.

What is the EPS pension I keep hearing about?

The 8.33% that goes to EPS funds a monthly pension after retirement, payable from age 58 if you've completed at least 10 years of eligible service. The pension amount is modest (formula-based on pensionable salary and service), separate from your EPF lump sum.

GOOD TO KNOW

What happens to EPF on the member's death?

The EPF balance is paid to the nominee/family. Members are also covered by EDLI (Employees' Deposit-Linked Insurance), which provides a lump-sum insurance benefit to the family on the death of a member in service, at no cost to the employee.

Sources: Outlook Money on EPF rate ratification; Outlook Money on EPFO UPI trial; Ministry of Labour press brief, 15 Oct 2025.

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