

EPF vs EPS: Differences in Contribution, Withdrawal, Pension and Tax

Description

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Quick summary

- EPF is your retirement savings (12% from you, 12% from the employer, with interest). EPS is a pension scheme funded only by the employer.
- Out of the employer's 12%, 8.33% goes to EPS (on wages up to Rs 15,000, so at most Rs 1,250 a month) and the rest, 3.67%, goes to EPF.
- EPF pays a lump sum with interest. EPS pays a monthly pension from age 58, or a one-time withdrawal benefit if you leave before 10 years of service.
- Since the EPFO decision of 13/10/2025, premature final settlement of EPF needs 12 months of unemployment (earlier two months) and EPS withdrawal 36 months.

Both the Employees' Provident Fund (EPF) and the Employees' Pension Scheme (EPS) run under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and are managed by the EPFO. They are two parts of the same deduction on your payslip, but they do different jobs: EPF is a savings pot that you take as a lump sum, EPS is a pension.

What is EPF?

Both you and your employer contribute 12% of your wages (basic salary plus dearness allowance) to your EPF account every month. The balance earns interest declared by the government each year, and you can take the whole amount at retirement. Of the employer's 12%, only part reaches this account, as explained below.

What is EPS?

EPS pays a monthly pension to the member after retirement, and to the family on the member's death. You do not contribute to it. It is funded from the employer's 12%: 8.33% of wages goes to EPS and the remaining 3.67% goes to EPF.

EPF and EPS side by side

Point	EPF	EPS
Your contribution	12% of wages	Nil
Employer contribution	3.67% of wages	8.33% of wages (wages counted up to Rs 15,000, so at most Rs 1,250 a month)
Interest	Yes, declared every year	No interest, it is a pension entitlement
What you receive	Lump sum of contributions plus interest	Monthly pension, or a withdrawal benefit if service is under 10 years
Pension age	Not applicable	58 years (reduced early pension possible from 50)
Who is covered	Employees of covered establishments; wages up to Rs 15,000 are compulsory, above that by joint option	Members who joined before 58 and whose wages are counted up to the ceiling

Withdrawal rules after the October 2025 changes

On 13/10/2025 the EPFO Central Board of Trustees decided to simplify withdrawals. As reported at the time:

- Partial withdrawals are merged into three heads (essential needs, housing, special circumstances), with a uniform minimum service of 12 months.
- Premature final settlement of the EPF balance now needs 12 months of unemployment, earlier two months.
- Final withdrawal of the pension (EPS) balance now needs 36 months, earlier two months.
- 25% of contributions is to be kept as a minimum balance in the account.

Reports from mid-2026 say the Government has since notified the EPF Scheme, 2026 (stated to be effective from 29/06/2026) to give effect to these changes. Reports differ on the exact waiting period for the balance on leaving a job, so read the current text of the Scheme and EPFO circulars on the EPFO website before you apply. Retirement at 58 is unchanged.

Tax on EPF and EPS

- **Interest on EPF:** tax free on your contributions up to Rs 2.5 lakh a year (Rs 5 lakh if there is no employer contribution). Interest on the excess is taxable every year.
- **Employer contribution:** the employer's contribution to EPF, NPS and superannuation together above Rs 7.5 lakh a year is taxed as a perquisite in your hands.

- **Withdrawal before five years of continuous service:** TDS applies on the taxable part if the amount is more than Rs 50,000. Withdrawal after five years is not taxed.
- **EPS pension:** taxable as salary in the year you receive it.
- **Section 80C:** your EPF contribution qualifies only if you choose the old tax regime.

Which one matters to you?

If you plan to leave a job before 10 years, check your EPS service on the passbook and decide between the withdrawal benefit and carrying the service forward with a scheme certificate. For long-term savings, EPF is the bigger balance. If your wages are above Rs 15,000, ask whether your employer contributes on the actual wage or on Rs 15,000.

Frequently asked questions

Do I contribute to EPS?

No. EPS is funded by the employer's share only (8.33% of wages, with wages counted up to Rs 15,000 a month). Your own 12% goes entirely to EPF.

How much of the employer's 12% goes to EPS?

8.33% of wages goes to EPS and the balance 3.67% goes to EPF. For wages above Rs 15,000 the EPS part is capped at Rs 1,250 a month unless the higher pension option was exercised.

Does EPS earn interest?

No. EPS builds service and pensionable salary, not a balance. EPF earns interest declared by the government every year.

At what age does EPS pension start?

At 58. A reduced early pension is possible from age 50, as long as you have 10 years of service.

Can I withdraw the EPS amount if I leave a job early?

If you have less than 10 years of service you can take a withdrawal benefit, or get a scheme certificate to carry the service to the next employer. Final pension withdrawal now needs 36 months out of employment.

Is EPF interest taxable?

Interest on your own contributions up to Rs 2.5 lakh a year is tax free (Rs 5 lakh if there is no employer

contribution). Interest on the part above the limit is taxable.

Official sources

- EPFO: Employees Provident Fund Organisation
- Ministry of Labour and Employment

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