

Beyond Dearness Allowance Increased to 63%: What Central Government and Private-Sector Employers Need to Know

Union Cabinet on 28th October, 2026, approved and subsequently issued an Office Memorandum dated 29th October, 2026, through the Ministry of Finance (Department of Expenditure), increasing the Dearness Allowance for Central Government employees. It increases the Dearness Allowance (**DA**) of the Central Government employees from 60% to 63% of basic pay and Dearness Relief (**DR**) to the pensioners by the same three percentage points with a retrospective effect from July 1, 2026. Around 48.54 lakh employees and 68.71 lakh pensioners are expected to benefit from this, at an annual cost of around ₹10,016 crore to the exchequer.

ELP Comments

The revised Dearness Allowance (DA) will be applicable retrospectively from July 1, 2026, and accordingly Central Government establishments will be liable to pay the differential DA for the relevant period, including by way of arrears, and make the necessary adjustments in the payroll for the intervening months. This Office Memorandum is applicable to the Central Government employees and pensioners and has no direct impact on private sector employers to revise their DA. The revised DA rate of 63% should not be construed as a statutory compliance benchmark for private sector establishments or as automatically determining the Variable Dearness Allowance (VDA) payable under the applicable minimum wage notifications. The revised DA rate is not binding on private employers but may be used as a benchmark for their compensation structures.

We hope you have found this information useful. For any queries/clarifications, please write to us at *insights@elp-in.com* or write to our authors:

Vivek Daswaney, Partner – Email - *VivekDaswaney@elp-in.com*

Disclaimer: *The information provided in this update is intended for informational purposes only and does not constitute legal opinion or advice.*

© Economic Laws Practice 2026