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# UPI Enters a New Era

Selective MDR on UPI merchant payments: rates, exemptions and impact

Effective 15 October 2026

New Delhi · www.carajput.com

01 · AT A GLANCE

# The new framework in three numbers

**0.4%**

MDR on specified Person-to-Merchant UPI payments above Rs. 2,000

**Rs. 300**

Maximum MDR on any transaction of Rs. 75,000 and above

**15 Oct**

2026 start date, giving banks, aggregators and platforms time to update systems

Consumers, P2P transfers, small merchants and payments up to Rs. 2,000 stay outside the charge.

02 · WHY NOW

# UPI's scale has changed the economics

**2,451 crore**

UPI transactions in August 2026 alone

**Rs. 29.9 lakh crore**

Value processed in the same month

**~Rs. 20,000 crore**

Industry estimate of the annual cost of running UPI

Zero MDR drove adoption. Sustaining resilience, cybersecurity and fraud prevention now needs a funding source, so higher-value commercial payments are asked to contribute.

03 · WHAT CHANGES

# How the 0.4% rate and Rs. 300 cap apply

| Transaction value | MDR at 0.4% | MDR payable |
|---|---:|---:|
| Rs. 2,000 | Rs. 8 | Nil |
| Rs. 3,000 | Rs. 12 | Rs. 12 |
| Rs. 50,000 | Rs. 200 | Rs. 200 |
| Rs. 75,000 | Rs. 300 | Rs. 300 |
| Rs. 1,00,000 | Rs. 400 | Rs. 300 |

### The cap flattens cost

Once a payment reaches Rs. 75,000, MDR stays at Rs. 300. A Rs. 1,00,000 payment pays Rs. 300, not Rs. 400, so the effective rate keeps falling as ticket sizes rise.

04 · CONSUMERS

# UPI stays free for the people paying

### P2P transfers

Free, irrespective of the amount transferred

### Payments up to Rs. 2,000

No MDR on merchant payments at or below the threshold

### No platform fee

UPI apps cannot levy a platform fee or any other charge

### No pass-through

Banks must ensure merchants do not pass MDR on to customers

Example: a customer buying goods worth Rs. 10,000 via UPI still pays Rs. 10,000. MDR sits inside the merchant-side ecosystem.

# ~96%

of merchant transactions are expected to remain unaffected, per the PIB's analysis. MDR applies to about 4%.

Separately, the FAQ notes that P2M payments up to Rs. 2,000 make up more than 95% of P2M volume. The bases differ, but both point the same way: MDR targets the higher-value segment.

# P2PM merchants keep zero MDR

### Who qualifies

Small vendors receiving UPI directly into their bank accounts, with inward receipts up to Rs. 1 lakh a month

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### What decides MDR

The merchant's classification, not one payment's size: a single receipt above Rs. 2,000 does not trigger MDR

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### When it changes

Over Rs. 1 lakh a month for three consecutive months may move a merchant from P2PM to P2M

Acquiring banks and payment service providers will monitor inward UPI receipts to keep the benefit with genuine micro-merchants.

# UPI stays cheaper than cards


The question for a merchant is not whether UPI now carries a cost, but how that cost compares with other ways of accepting digital payments.

08 · SPECIAL CATEGORIES

# Some payments follow a lower rate

ESSENTIAL SECTORS

## Rs. 5 flat

Per transaction above Rs. 2,000 for railways, telecommunications, insurance and fuel, among others

Rs. 10,000 insurance premium: **Rs. 5** instead of Rs. 40

CAPITAL MARKETS

## 0.02%

Capped at Rs. 300 for mutual funds, securities, stockbrokers and dealers

Rs. 1 lakh transaction: **Rs. 20** MDR

# 5% of MDR goes to a merchant fund

**5%**

of total MDR collections, per the PIB release

THE FUND SUPPORTS

- Digital-payment infrastructure and adoption in Tier 3 to Tier 6 centres
- Small merchants in the North-Eastern States, Jammu & Kashmir and Ladakh
- Notified schemes such as PM SVANidhi and PM Vishwakarma

Larger commercial payments help finance digital payments where adoption is thinnest.

# The framework at a glance

| Aspect | Position |
|---|---|
| Consumer UPI payments | No charge |
| P2P transactions | Remain free |
| Merchant payments up to Rs. 2,000 | No MDR |
| Eligible P2PM merchants | Zero MDR |
| General P2M above Rs. 2,000 | 0.4% MDR |
| Rs. 75,000 and above | Capped at Rs. 300 |

| Aspect | Position |
|---|---|
| Capital-market transactions | 0.02%, capped at Rs. 300 |
| Specified essential sectors | Flat Rs. 5 above Rs. 2,000 |
| Passing MDR to customers | Not permitted |
| UPI app platform fee | Not permitted |
| Existing QR infrastructure | Continues to function |

11 · WHAT BUSINESSES SHOULD DO

# Preparing before 15 October 2026

### Confirm your category

Check with your acquiring bank whether you are P2PM, P2M or a special-rate sector

### Track inward UPI

Over Rs. 1 lakh a month for three months running can move a P2PM merchant to P2M

### Update accounting

Build MDR into settlement reconciliation and billing systems before go-live

### Keep prices clean

MDR cannot be passed on to customers; review checkout and invoicing

### Compare costs

Weigh UPI's capped 0.4% against card MDR when choosing payment modes

### Need a review?

Write to info@carajput.com

# UPI is not becoming expensive. It is becoming economically structured.

From adoption economics to sustainability economics: consumers stay outside MDR, the smallest merchants stay protected, and larger commercial payments make a modest contribution.

THANK YOU

# Rajput Jain & Associates

Chartered Accountants

For advice on how the UPI MDR framework affects your business, reach out to our team.

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