

MINISTRY OF FINANCE

DEPARTMENT OF FINANCIAL SERVICES

GOVERNMENT OF INDIA

New Delhi | September 2026

Subject: Implementation Framework for Merchant Discount Rate (MDR) on Select UPI (P2M) Transactions

Following detailed assessments by the National Payments Corporation of India (NPCI) and regulatory stakeholders, the Government of India hereby outlines the operational framework for the Merchant Discount Rate (MDR) structure applicable to Person-to-Merchant (P2M) Unified Payments Interface (UPI) transactions.

1. Effective Date & Application

- The revised structure shall come into effect on **October 15, 2026**.
- The framework applies strictly to peer-to-merchant (P2M) transactions conducted via QR codes, online gateways, or intent flows.

2. MDR Framework & Caps

- Standard Rate:** An MDR of **0.4%** is applicable to standard P2M transactions.
- Threshold Limit:** Only individual transaction values exceeding **2,000** are subject to the levy.
- Maximum Cap:** The absolute maximum fee per individual transaction is capped at **300** (applicable to transaction values of 75,000 and above).

3. Zero-MDR Exemptions (Strict Safeguards)

To ensure the digital ecosystem remains completely inclusive and small scale commerce is protected, the following exclusions apply:

- Person-to-Person (P2P):** All individual money transfers between consumers remain at **0% MDR**.
- Transactions up to 2,000:** Every individual P2M transaction valued at 2,000 or lower is totally exempt.
- Small Merchant Safety Net:** Merchants receiving a total digital transaction volume of **under 1 lakh per month** via UPI QR codes are exempt from MDR on all incoming transactions.

4. Consumer Protection Directives

- No End-User Charges:** Under no circumstances shall this MDR burden be passed on to the end consumer. UPI transactions remain entirely free for individuals making payments.
- Non-Compliance:** Any merchant or payment service provider found surcharging consumers directly for utilizing UPI will face penal action as per regulatory statutes.