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New UPI changes in India

UPI (Unified Payments Interface) is India's instant bank-to-bank payment system. The important thing to understand about any new UPI changes is whether they affect payment limits, transaction security, app features, or the way you use UPI daily.

1. The biggest new change: UPI merchant charges
The National Payments Corporation of India has announced a new Merchant Discount Rate (MDR) framework for certain UPI merchant payments.

0.4% MDR from 15 Oct 2026.

The announced rate applies to eligible person-to-merchant UPI transactions above	₹2,000
Maximum MDR per transaction	₹300
Person-to-person transfers	Free

Important: MDR is a fee charged within the payment ecosystem, generally to the merchant or relevant payment participants—not a direct transaction fee charged to the customer. The announced framework is not a blanket charge on every UPI payment.

2. What will remain free?

Type of UPI payment	Treatment under the announced framework
Sending money to family or friends	No MDR; remains free.
Paying a merchant up to ₹2,000	No MDR.
Eligible merchant payments above ₹2,000	MDR may apply from 15 October 2026.
Customer making a UPI payment	No direct transaction charge under the announced framework.

For example, if you transfer ₹10,000 to a friend, the new merchant MDR does not apply. If you pay a participating merchant ₹5,000, the announced rate is 0.4%—₹20—subject to the applicable category and exemptions.

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3. Special categories and exemptions

The reported framework includes the following provisions:

- **Railways, telecom, insurance and fuel:** A flat ₹5 MDR for eligible transactions above ₹2,000.
- **Large transactions:** General merchant payments of ₹75,000 or more have a maximum MDR of ₹300.
- **Small merchants:** Merchants with monthly QR-code UPI receipts below ₹1 lakh are reported to be exempt.
- **Rural and semi-urban areas:** QR-code UPI payments are reported to remain fee-free.

These provisions concern the merchant-side payment charges. Their precise applicability depends on the transaction category and the final operational rules.

4. What does this mean for ordinary users?

- You can continue sending money to friends and family through UPI without MDR.
- Regular small-value QR payments remain free under the announced threshold.
- For larger merchant payments, the merchant-side fee framework may affect payment processing arrangements, but customers are not supposed to be charged the MDR directly.
- Your bank's own UPI limits and security checks still matter.

5. Example of the announced MDR

Payment amount	MDR at 0.4%
₹2,000	₹0
₹5,000	₹20
₹10,000	₹40
₹50,000	₹200
₹1,00,000	₹300 maximum

The table illustrates the announced general merchant rate, not a guarantee that every merchant will be charged these amounts. Exemptions, sector-specific rates and the ₹300 cap apply.

6. Why is this change being introduced?
The stated purpose of the new merchant-fee framework is to support the sustainability of the UPI payment ecosystem, including infrastructure, cybersecurity and innovation. It also creates a revenue mechanism for banks and payment-service participants that support UPI transactions.

7. Important clarification
There is a difference between:
- UPI transaction fee: A charge paid by the person making a payment.
- MDR: A fee associated with processing eligible merchant payments, generally borne by the merchant or relevant payment participants.

The announced October 2026 MDR framework should not be interpreted as a general charge on all UPI users.

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