



AN OVERVIEW OF THE UAE'S WAGES PROTECTION SYSTEM

Since 2009, the United Arab Emirates' Wages Protection System ([Ministerial Decree No. 788 of 2009](#)) has been an important part of the country's labor system. A Wages Protection System (WPS) refers to electronic pay transfers that allow employees to receive their wages electronically through authorized banks, bureaux de change, and financial institutions. The United Arab Emirates (UAE) was the first in the region to formally enact a WPS which was then followed by the rest of the GCC countries. The WPS was developed by the Central Bank of the UAE to provide the Ministry of Human Resources and Emiratisation (MOHRE) with a database that details the payment procedures and compliance of employers in the private sector. Employers registered with MOHRE must subscribe to the WPS system and pay employees' wages through it by the specified date.

Registration with the WPS

Private companies in the UAE can easily register online for the WPS. Employee salary details can be submitted to the account once it is created. The required details are:

- Bank account details
- Employees list with details of the bank/agent through which the company disburses salaries
- Bank or financial institution the employee holds an account with
- Date for salary disbursement

Exemptions

The UAE registered 5.4 million private sector employees by the end of the second quarter of 2022, up 9 per cent from the previous quarter. A total of 26% of the private sector workforce registered with MoHRE were in the construction sector, followed by 21% in trade and repair services, and 19% in business services. In spite of the fact that WPS is required for all private sectors, some categories have still been exempted from the requirement. The employees that are excluded from WPS are:

- Employees who filed a labour complaint referred to the court and related wages
- Reported absconding employees (employees who have been reported absent from work)
- New employees during the first thirty days from the wage due date
- Employees on unpaid leave
- Sailors working on board ships
- Foreign employees receiving wages outside of the country while working in foreign establishments or branches within the country

Aside from that, the following categories of employers are excluded from complying with the WPS: UAE nationals owning fishing boats, UAE nationals owning public taxis, banks, and houses of worship. Public sector institutions and government entities are also exempt from having to comply with the WPS.

Those who set up their businesses in a free zone do not have to register with the MoHRE, and so are exempt from the WPS. Currently, Jebel Ali Free Zone is the only free zone that has fully adopted the use of WPS.



Compliance and Penalties

The WPS ensures wages are paid by employers on time in accordance with the UAE labour law. Certain penalties will be applied if an employer fails to adhere to the WPS requirements. Payment of the employee's wage becomes due on the first day following the month of entitlement and it is mandatory to pay more than 80% of an employee's total salary. Employers who fail to pay wages to their employees within 15 days of the due date will be considered late. Violations can result in serious penalties, including fines or suspension of new work permits. Below is a table listing penalties for companies that fail to pay wages on time as per [Ministerial Resolution No. 598 of 2022 concerning the Wages Protection System](#). The latest amendment is a part of the ministry's efforts to further develop a legal framework that regulates the UAE's labor market, which is globally highly competitive due to its efficiency, flexibility, and ability to create an attractive working environment for employers and employees alike.

Deadline	Establishment Size	Action
1. By the due date	All establishments	<ul style="list-style-type: none"> The establishment will be monitored electronically to ensure its compliance with payment of wages to its employees.
2. By the third and tenth day after the due date	All establishments	<ul style="list-style-type: none"> Reminders and notifications will be sent to non-compliant establishments to pay wages.
3. By the seventeenth day after the due date	All establishments	<ul style="list-style-type: none"> Suspension of issuing new work permits for the establishment. A notice stating the reason for the suspension will be sent to the employer.
	Establishments employing more than 50 employees	<ul style="list-style-type: none"> The non-compliant establishment will be listed in the Electronic Monitoring and Inspection System & inspections will be scheduled. An inspector will conduct inspections and issue warnings as necessary.
4. 45 days after the due date	Establishments employing more than 50 employees	<ul style="list-style-type: none"> In addition to notifying the public prosecutor, the establishment details will be forwarded to the competent authorities at the federal and local levels in order to pursue legal action as appropriate. The concerned department within the Ministry will follow up on these actions.
5. In the event that the establishment commits the violation again within 6 months	Establishments with wage-related labor complaints referred to the judiciary	<p>Consequently, the following actions will be taken:</p> <ul style="list-style-type: none"> In accordance with Cabinet Resolution No. 21 of 2020, an administrative fine will be imposed. Reclassification of the establishment to category (3) in accordance with Ministerial Resolution No. 209 of 2022

Employers should always be aware of the latest UAE rules and regulations when it comes to payroll administration so as to avoid fines and disputes with employees. This will help maintain a balance between the rights and obligations of both parties. When in doubt or a dispute arises, it is always advisable to consult an expert in labor law. Strohal Legal Group advises on all aspects of individual and collective labor law and human resource management – both in a national and international context. Our clients include national and international corporate groups, small and medium-sized enterprises, as well as their personnel and management. Our main areas of consulting include the preparation of employment contracts, termination of employment relationships, acquisitions, restructuring and, outsourcing, management and employee participation programs, employee protection, questions on working time law, and coordination of legal disputes before labor courts. Contact our lawyers now at office@slglaw.cc.

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