



GES NewsFlash

United Arab Emirates – Wage Protection System

November 17, 2009

In this issue:

Overview

Requirements

WPS Process

Failure to Comply

Deloitte's View

People to Contact

Overview

The Ministry of Labour, as per Ministerial Decree No. (788) of 2009, has introduced the Wages Protection System (WPS). The WPS is effective September 1, 2009 and applies to all companies registered with the Ministry of Labour, thus excluding companies in the Free Zones. This Decree requires that all employee wages are paid through salary transfer via banks or other financial institutions approved and authorized by Central Bank (CB) to participate in this WPS-scheme. The objective of WPS is to provide safe, secure, efficient, robust mechanism to streamline the timely payment of wages to employees. It ensures that the UAE Ministry of Labour (MOL) is regularly and constantly updated on wages data in the private sector in order to guarantee that employers fulfill their salary obligations. This is also a protective and proactive measure from the Ministry of Labour to reduce labour disputes pertaining to wages.

Requirements

- Compliance with the new system will be enforced in stages depending on the number of employees:

Number of workers	Period Granted	Deadline
100 and above	3 months (starting 01-Sep-09)	30-Nov-09
15 to 99 workers	3 months (starting 01-Sep-09)	28-Feb-10
Less than 15	3 months (starting 01-Sep-09)	31-May-10

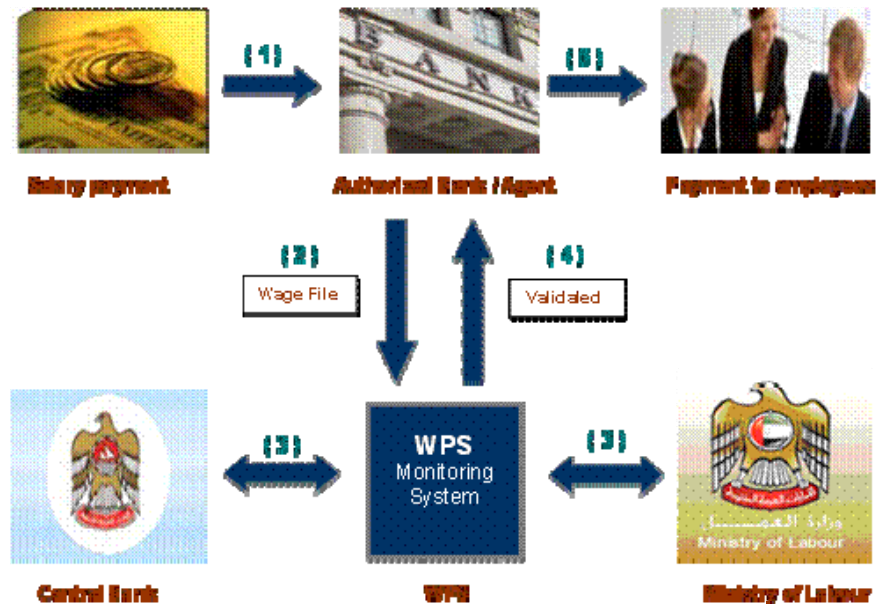
- Until the company complies with WPS, employers with 50+ employees will have to submit a prescribed form declaration within two weeks of the date wages accrue and become payable. This form must be signed by the employer's registered authorized signatory with the MOL who will bear civil and criminal liability for the information provided.
- The institution will have to transfer workers' wages via WPS within two weeks of their due date, or on the dates specified in the work contract if wages are paid more frequently than monthly.
- The employer will be responsible for all expenses incurred upon joining

WPS, including bank fees, service provider charges, and all other costs. Employers are not allowed to share any costs with workers' by any means, including deducting from their wages, directly or indirectly.

- The employer shall issue instructions to its bank to transfer wages to its employees. Instructions shall be accompanied by a detailed wages list as per the format requirements of the Central Bank. The Central Bank has issued detailed requirements regarding the format, contents and validation of the electronic file.
- As per the website of MOL, almost all banks and other financial institutions (like exchange centers) have been authorized to participate in WPS.

WPS Process

Below is the graphical presentation of the process involved in WPS. In summary, salary payment will be sent to Authorized Bank or Agent which will then be sent to WPS to be verified by Central Bank and Ministry of Labour. Once validated, it will be sent to Authorized Bank or Agent for payments to employees.



Failure to Comply

- Institutions failing to transfer workers' wages by the deadlines will be denied the right to have new work permits. This ban will only be lifted in the month following the transfer of workers' wages in full.
- Institutions that delay wages' payment more than one month of the due date will be denied the right to have new work permits, along with all institutions owned by the owner of the violating institution, and to refer all those responsible for the violation to the court, in accordance with the Decree.

- Payroll payments from outside UAE would not comply to WPS; items such as salary payments, as per the employment contract submitted to MOL, for expatriates will need to be paid from UAE
- Salary payments transferred directly to bank accounts outside the UAE would also not be allowed under WPS. All payments must be made to a local bank account and in local currency (AED).
- If the employer's bank is not listed as authorized bank or agent, the employer will need to choose another (authorized) bank to comply with WPS.

People to Contact

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the GES professionals as follows:

Cheryn S. Casala

Tel: +971 4 331 3211

Basit Hussain

Tel: +971 4 331 3211

This NewsFlash information is now being incorporated into the new, more frequent bi-weekly GES newsletter, Global InSight, which you will receive directly if you are on the central distribution list.

If you are not on the central distribution list and received this communication by some other means, you can follow these few simple steps to be added to the central distribution list.

- Log onto www.deloitte.com
- Select "Insights" at the top of the page, then select "Email subscriptions" in the drop down menu
- On the next page, under Step 1, select "Tax" and "Global Employer Services"
- Under Step 2, select "Global Insight"
- Under Step 3, fill out your contact information and click "Save my profile"

Be sure to visit us at our Web site: www.deloitte.com/tax

If you require information about doing business in a specific country, including individual tax considerations, please log on to www.deloittetaxguides.com and select the countries of interest. In addition to detailed guides, there are at-a-glance summaries contained in the Snapshot series section.

Back to Top

1633 Broadway
New York, NY 10019 – 6754
United States

© 2009 Deloitte Touche Tohmatsu.

Deloitte refers to one or more Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

 [Deloitte RSS feeds](#)
