



UAE WAGE PROTECTION SYSTEM (WPS) 2026:

A Complete Guide For Employers

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WHAT IS THE WAGE PROTECTION SYSTEM (WPS)?

The Wage Protection System (WPS) is an electronic salary transfer system established by MOHRE in collaboration with the Central Bank of the UAE.

The primary objectives of the WPS are:



**Ensuring
employees receive
salary on time.**



**Improving
transparency in
salary payments.**



**Reducing labor
disputes.**



**Protecting employee
rights.**



**Enhancing
regulatory oversight
of employers.**

Under the WPS, employers must process employee salaries through approved financial institutions, banks, exchange houses or other payment systems approved by MOHRE by 1st of the following month.

KEY CHANGES INTRODUCED BY MINISTERIAL RESOLUTION NO.340 OF 2026

The Resolution introduces several fundamental changes:

1. Unified Salary Due Date

One of the most significant reforms is the introduction of a unified wage payment date.

Previous Rule



Under the previous regime, salary payment obligations were linked to employment contract terms and employers benefited from a 15-day grace period before penalties applied.

New Rule



Effective 1 June 2026:

- Salaries for the previous month become due on the first day of the following Gregorian month.
- Any salary paid after this date is automatically considered delayed.
- The previous 15-day grace period has been abolished.

Examples



Salary Month	Due Date
May 2026	1 June 2026
June 2026	1 July 2026
July 2026	1 August 2026

This change requires employers to complete payroll processing and salary funding before the start of each month.



2. Increased Compliance Threshold

The Resolution raises the compliance threshold from 80% to 85%. An employer is considered compliant if:

- At least 85% of total wages due are paid on time.
- Payments are made through WPS.

This allows limited flexibility for legitimate adjustments such as:

- Overtime calculations.
- Commission payments.
- Final payroll corrections.
- Approved deductions.

However, employers should note that the threshold is not intended to permit systematic underpayment.

3. Immediate Adaptation of New Employees

Under previous rules, newly hired employees could benefit from a 30-day grace period before WPS requirements became applicable. The new Resolution removes this exemption.

As a result:

- New employees must be included in payroll from their first salary cycle.
- Employers must ensure all onboarding processes are completed promptly.
- Payroll systems should be updated immediately upon employee hiring.



NEW ENFORCEMENT TIMELINE

One of the most notable aspects of Resolution 340 is the accelerated enforcement mechanism.

Day 2: Monitoring and Alerts	Beginning on the second day after the salary due date: • Automated alerts may be issued. • Employers may receive compliance notifications. • MOHRE monitoring commences.
Day 5: Work Permit Suspension	If salaries remain unpaid: • New work permit applications may be suspended. • Employers may receive formal notices requiring rectification.
Day 11: Administrative Measures	For repeated violations within six months: • Administrative fines may be imposed. • Establishments may be downgraded within MOHRE’s classification system. • Additional monitoring may apply.
Day 16: Labor Dispute Escalation	In larger establishments or serious non-compliance situations: • Labor dispute procedures may commence. • Enhanced regulatory scrutiny may occur.
Day 21: Legal Enforcement	In severe cases: • Asset attachment procedures may be initiated. • Travel restrictions may be considered against responsible parties. • Matters may be referred to the Public Prosecution.

EMPLOYER OBLIGATIONS UNDER THE NEW WPS RULES

Employers should maintain accurate payroll Records

Records should include:

- Employment contracts.
- Salary calculations.
- Payroll approvals.
- WPS payment confirmations.
- Deduction records.

Ensure sufficient Payroll Funding

Businesses should maintain adequate liquidity to meet salary obligations before the first day of each month.

Monitor Payroll Compliance Monthly

Employers should regularly review:

- WPS reports.
- Rejected transactions.
- Outstanding salary obligation.
- Employee payroll data.

Conduct Internal Payroll Audits

Periodic audits help identify:

- Payroll discrepancies.
- Incorrect deductions.
- Compliance risks.
- Documentation gaps.

SECTORS SUBJECT TO ENHANCED MONITORING

Certain industries are subject to closer scrutiny due to their workforce size and historical wage payment risks. These include:



Construction



**Transport
& Logistics**



Security Services



Cleaning Services



**Recruitment
Agencies**

Employers operating multiple entities within these sectors should adopt group-wide payroll compliance controls.

EXCEPTIONS FROM WPS

Certain categories may remain outside the WPS framework under specific conditions. Examples may include:

- Certain free-zone employees.
- Domestic workers governed by separate legislation.
- Specific categories approved by MOHRE.

Employers should obtain professional advice before assuming exemption status.

IMPLICATIONS FOR FREEZONE COMPANIES

Not all UAE free zones fall under MOHRE jurisdiction:

- Dubai International Financial Centre (DIFC) - The DIFC operates under its own employment legislation.
- Abu Dhabi Global Market (ADGM) - The ADGM also maintains an independent employment framework.

Note : Employers operating within free zones should verify whether WPS obligations apply to their workforce.

COMMON COMPLIANCE RISKS

Many payroll violations arise from avoidable administrative errors. Common risks include:

- 

Delayed payroll funding.
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Rejected Salary Information Files (SIF).
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Incorrect salary calculations.
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Failure to update employee records.
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Misclassification of wage components.
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Unauthorized salary deductions.





BEST PRACTICES FOR EMPLOYERS

To ensure compliance with Resolution 340:

Payroll Processing :

- Finalize payroll before month-end.
- Submit SIF files early.
- Verify banking information regularly.

Financial Planning :

- Maintain payroll reserves.
- Forecast salary obligations monthly.
- Align cash-flow planning with salary deadlines.

Governance :

- Establish payroll approval workflows.
- Conduct monthly compliance reviews.
- Train HR and finance teams on the new rules.

Technology :

- Implement payroll automation tools.
- Use compliance monitoring dashboards.
- Integrate HR and payroll systems.



CONSEQUENCES OF NON-COMPLIANCE

Failure to comply may result in:

- Suspension of new work permits.
- Administrative penalties.
- Downgrading of MOHRE classification.
- Labor complaints.
- Regulatory investigations.
- Legal proceedings.
- Reputational damage.

In severe cases, non-compliance may affect business continuity and the organization's ability to recruit employees.

EMPLOYER COMPLIANCE CHECKLIST

Before each payroll cycle, employers should confirm:

- ✓ Employee records are updated.
- ✓ Payroll calculations are accurate.
- ✓ Salary Information File (SIF) has been validated.
- ✓ Payroll funding is available.
- ✓ WPS submission has been completed.
- ✓ Salary transfers have been confirmed.
- ✓ Payroll records have been archived.
- ✓ Compliance reports have been reviewed.



KEY TAKEAWAYS

1



Salaries become due on the first day of the following Gregorian month.

2



The previous 15-day grace period has been removed.

3



Compliance threshold has increased to 85%.

4



New employees must be included in payroll from their first salary cycle.

5



Non-compliance may lead to permit restrictions, administrative measures and regulatory action.

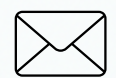


How BAM ADVISORS can support

- **Payroll Processing & Management** – End-to-end payroll administration, ensuring accurate salary calculations and timely processing in accordance with UAE labor laws.
- **WPS Compliance Support** – Preparation and review of Salary Information Files (SIF) and assistance with salary disbursements through approved WPS channels.
- **Compliance Monitoring & Risk Assessment** – Regular reviews of payroll processes to identify potential compliance gaps and mitigate the risk of penalties and regulatory action.
- **Payroll Reporting & Reconciliations** – Preparation of payroll reports, reconciliations and supporting documentation to maintain accurate records and facilitate audits.
- **Labor Law & Regulatory Advisory** – Guidance on WPS requirements, payroll-related obligations, employee classifications and updates to UAE labor regulations.
- **Ongoing HR & Payroll Support** – Dedicated assistance with employee onboarding, payroll queries, salary structure reviews and implementation of best practices to ensure continued compliance and operational efficiency.



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