

From Payroll Compliance to Enforcement Exposure: The UAE's New Wage Protection Regime

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Introduction:

As of 1 June 2026, salary payments in the UAE private sector are no longer simply an operational matter managed by HR or finance teams. They have become a tightly regulated compliance obligation, monitored in real time and subject to increasingly robust enforcement measures.

Ministerial Decision No. 340/2026, issued by the Ministry of Human Resources and Emiratization (MOHRE), fundamentally reshapes the Wage Protection System (WPS). In doing so, it introduces a stricter framework that prioritises consistency, transparency and enforceability across the labour market.

Key Changes:

The new decision replaces the previous regulatory framework and introduces several key adjustments:

1. *Uniform salary deadline:* Employers must pay wages for the preceding month by the first day of each Gregorian month.
2. *Removal of grace periods:* The previous flexibility surrounding payment timelines has largely been removed, with any payment made after the unified due date now constituting a delayed wage payment.
3. *Compliance benchmark:* An establishment is generally considered compliant if at least 85% of total wages are transferred by the due date.

A critical distinction should be emphasised: the 85% threshold is a regulatory benchmark for compliance assessment, not a limitation on employee entitlement.

A Structural Shift: From Contractual Obligation to Regulatory Enforcement

The significance of the new regime lies not only in its technical requirements, but in its underlying approach. Historically, wage payments were largely treated as a contractual matter between employer and employee, with enforcement mechanisms activated only after delays or complaints. The new framework reflects a different philosophy. Wage payment is now positioned as an obligation of public interest, actively monitored and enforced by the state.

The revised regime is characterised by a structured escalation framework. Delays are monitored electronically from the due date, followed by warnings and progressively more restrictive measures if payment remains outstanding. This significantly reduces the tolerance previously available for administrative or operational delays.

For employers, this means that salary transfers must be completed, not merely initiated, by the due date. Operational delays, banking cut-off times or administrative oversight can now lead directly to non-compliance.

Escalating Consequences for Non-Compliance

Continued delays can lead to progressive administrative restrictions, such as suspension of work permit services and limitations on business operations. In more serious or prolonged cases, matters may be escalated beyond administrative sanctions and referred to enforcement authorities. Continued delays can lead to progressive administrative restrictions, such as suspension of work permit services and limitations on business operations. In more serious or prolonged cases, matters may be escalated beyond administrative sanctions and referred to enforcement authorities. Wage compliance can therefore evolve from a purely operational issue into a matter attracting broader management and corporate governance attention. As a result, wage compliance is no longer confined to internal HR processes; it raises wider governance considerations that may require attention at senior management or board level.

Practical Implications for Employers

In light of these developments, employers should reassess their internal processes to align with the new regulatory expectations. In particular:

- Payroll timelines must be recalibrated to ensure salaries are fully processed before the first day of each month.
- Banking and payment processes should be reviewed to account for processing times and system integration.
- Internal policies and contracts referencing previous regulations should

be updated to reflect the current framework.

- Documentation practices should be strengthened, ensuring that payment records are complete, consistent, and readily auditable.

Conclusion

Ministerial Decision No. 340/2026 reflects a broader trend in the UAE's legislative landscape: a move towards greater regulatory certainty, real-time oversight and robust enforcement mechanisms. The introduction of a unified payment deadline, combined with automated monitoring and escalating consequences, signals a clear policy direction. Wage protection is no longer treated as a flexible contractual issue, but as a regulated obligation central to the functioning of the labour market. Compliance must be proactive, systems-driven and embedded within broader governance frameworks.

For employers, the practical message is clear: payroll is no longer simply an HR or finance function. It has become a compliance process subject to active regulatory oversight. Organisations should ensure that payroll operations, banking procedures and governance frameworks are aligned with the new requirements, as payroll delays now carry consequences extending beyond the employment relationship itself.

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