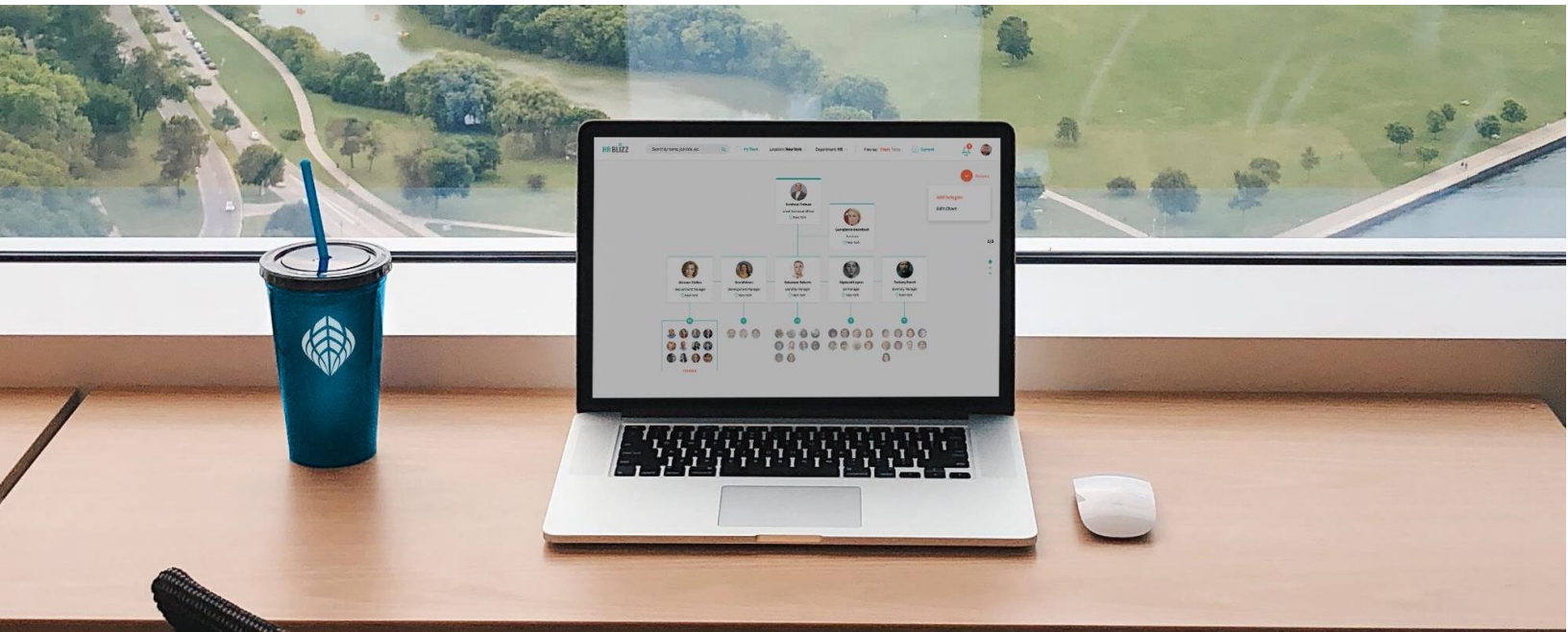




Simplifying Employment
Tasks Worldwide

Statutory Change Alert

Next Phase of Wage Protection System (WPS) Implemented in
Saudi Arabia



KINGDOM OF SAUDI ARABIA



May 8, 2020



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20

Years of Success

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0

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Saudi Arabia – The Government Rolls Out the Next Phase of Wage Protection System (WPS)

The Ministry of Human Resource and Social Development has introduced the next (15th) phase of the Wage Protection System (WPS), effective from 1 May 2020.

In accordance with the new phase, all entities with more than 10 employees must comply with the WPS requirements.

The new phase was announced by the Ministry on 8 May 2020 on Twitter. However, the Ministry has not clarified whether the new WPS phase will be effective immediately or will be subject to the COVID-19 related exception period.

For additional information, please see:

https://twitter.com/mhrsd_sa/status/1258812078191763458?s=21.

What is the Wage Protection System (WPS)?

The WPS regulations were introduced to ensure, that all employers pay their employees on-time and fully. The WPS process allows the MOL to centrally and electronically monitor in real time the salary payments of the participating employers and take enforcement actions if the salary payments are not made in accordance with the Labor Law and employment agreements.

What is required for the WPS registration?

Employers with more than 10 employees are required to process all of their salary payments through the WPS system. For this, the employer has to complete the following actions:

- Complete the legal entity registration process in Saudi Arabia, including the registration with the Ministry of Human Resource and Social Development;
- Activate the online portal with the Ministry for uploading the WPS files;
- Open a corporate bank account in Saudi Arabia and activate the WPS services by signing a respective agreement with their bank;



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- Generate the WPS files in the format mandated by the bank;
- Ensure that all employees have been registered with the General Organization of Social Insurance (GOSI);
- Confirm that all employees have opened local Saudi riyal denominated bank accounts.

How does the WPS process work?

The objective of the WPS process is to monitor the salary payments by the employers and ensure, that all employees receive their full salaries. In order to accomplish this objective, the employers are required to comply with the following WPS processing steps on a monthly basis:

- Complete the payroll calculations, that match the salary information provided to the GOSI when registering the employees with GOSI;
- Generate electronic WPS files in the format prescribed by the company's bank in Saudi Arabia;
- Upload the WPS file(s) to the designated online portal of the bank. The WPS file(s) will be used by the bank to execute the salary payments to the employees. Multiple WPS files may be processed by the employer during any month, provided that the WPS files include different groups of employees;
- Download digitally signed copies of the WPS files after the execution of the salary payments by the bank;
- Upload the digitally signed WPS files to the Ministry of Human Resource and Social Development portal;
- Ensure that the uploaded WPS files are successfully accepted by the Ministry of Human Resource and Social Development.

How is the WPS information used by the Ministry of Human Resource and Social Development?

The Ministry records all salary payments made by employers and compares these amounts with the information provided by the employers when registering their employees with GOSI. During this process the Ministry completes the following verifications:

- Verifies that all employees registered in GOSI are also included in the WPS files and that the WPS files do not include any other employees;
- The basic salaries and housing allowances reported by the employers in the WPS files are matched with the information reported to GOSI;
- Employees are paid on time; i.e. not more than 7 days from the respective month-end.

What are the common issues with the WPS payments?

There are a number of common issues experienced by the employers, which may lead to inadvertent non-compliance with the WPS process requirements. For example, not all the employees registered in GOSI are included in the WPS files. This may include the following scenarios:

- Starters – employees who started after the payroll cutoff date and were not included in the regular payroll cycle. The salaries for these employees should be processed through off-cycle payrolls, with separate WPS files being generated for the off-cycle payments.
- Leavers – employees who have left the company must be deregistered from GOSI before the monthly payroll is processed.



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- Deductions – The Ministry monitors the amount of salaries paid through the WPS and compares these amounts with the basic salaries and housing allowance provided to GOSI. Ensure that the maximum deviation between these amounts is less than 20%.
- Unpaid Leaves – The WPS process does not accommodate unpaid leaves very well. The unpaid leaves reduce basic salaries and housing allowances amounts paid to the employees and any deviations are automatically treated as underpayments of salaries. Therefore, the employers need to ensure that the total unpaid leave deductions do not exceed 20% of the affected employees' salaries during any month.
- Local Bank Accounts – employees cannot be paid to non-Saudi bank accounts. All salary payments must be made in Saudi riyals to the local accounts.

Employers should ensure that they avoid these common pitfalls when processing salaries through the WPS process.

What are the consequences of the non-compliance with the WPS procedures?

The MOL is actively monitoring and enforcing the compliance with the WPS processes. In case of non-compliance, the MOL services will be suspended until the company processes all salary payments in conformity with the WPS requirements. This means, that the employers need to ensure their full compliance with the WPS regulations to avoid any unexpected gaps in their MOL services, including Iqama transfers, renewals, etc.

Please contact Mercans' Saudi Arabia payroll outsourcing specialists at info@mercans.com for additional information regarding the WPS compliance requirements or to discuss Mercans' Saudi Arabia payroll outsourcing solutions. Mercans' Saudi Arabia payroll outsourcing services are the best approach for legally compliant payroll operations in Saudi Arabia.



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