



S&A LAWYERS

Minimum Wage

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Introduction

1. The Minister of Economic Development (“**Minister**”) has issued an order setting the minimum wage for Maldivian employees.¹ Minimum wage was set based on the recommendations of the Wage Advisory Board. The Minister’s order published in the Government Gazette on 8 November 2021 has officially established a minimum wage in Maldives for the first time.
2. Minimum wage is not applicable to expatriate employees and those who are employed by a micro enterprise.

Definition of Minimum Wage

Minimum Wage = Basic Salary + Fixed Allowance

3. Minimum wage is defined as the employees’ basic salary and fixed allowance(s), if any. Basic salary is the amount agreed in the employment agreement as the basic salary. A deduction from the basic salary may only be made based on the following:
 - a. Deduction(s) made pursuant to section 20 of the Employment Act (deductions for absenteeism, or late attendance, or reasonable compensation for loss to the property or business of the employer due to a willful act or omission by the employee).
 - b. Deduction made pursuant to section 15 of the Pension Act (which is, deduction of 7% of the pensionable wage by the employer and paid to the employees’ retirement pension scheme).
 - c. Deduction(s) made pursuant to section 54 of the Income Tax Act (that is, deductions for employee withholding tax if the threshold is met).
4. Fixed allowance is any allowance stated in the employment agreement, excluding the basic salary, that is payable monthly without any deduction.
5. Minimum wage does not include the following variable allowances:
 - a. Overtime pay;
 - b. Ramadan allowance;
 - c. Service charge;
 - d. Monthly variable allowance paid depending on certain circumstances or to employees who undertake certain responsibilities;
 - e. Allowance or bonus distributed during a certain period; and
 - f. In-kind benefits (such as accommodation, food, travel, insurance etc) or expenses incurred for such benefits.

¹The order was made on 8 November 2021, pursuant to section 59 of the Employment Act 2008.

Minimum Wage for Private Sector

6. The minimum wage for private sector is based on hourly rate, and it differs depending on the classification of the employer. The applicable minimum wage depending on the classification of the employer is summarised in the table below.

Classification	Characteristics ²	Hourly Rate	Monthly Wage*
Micro enterprise	<ul style="list-style-type: none"> • Less than 6 employees • Annual revenue below MVR 500,000 • Annual net profit below MVR 75,000 	No applicable minimum wage	No applicable minimum wage
Small enterprise	<ul style="list-style-type: none"> • 6 to 30 employees • Annual revenue between MVR 500,001 and MVR 5 million • Annual net profit between MVR 75,001 and MVR 750,000 	MVR 21.63	MVR 4,500.00
Medium enterprise	<ul style="list-style-type: none"> • 31 to 100 employees • Annual revenue between MVR 5,000,001 and MVR 20 million • Annual net profit between MVR 750,001 and MVR 3 million 	MVR 33.65	MVR 7,000.00
Others	• Businesses not governed by the SME Act (such as large enterprise)	MVR 38.46	MVR 8,000.00
	• Employers that do not fall within any classification detailed above	MVR 21.63	MVR 4,500.00

*The Monthly Wage calculated in this column is an example based on an employee that is contracted to work 48 hours per week (maximum number of working hours under the Employment Act excluding overtime). It is common practice that the working hours is calculated up to the statutory maximum of 48 hours a week and overtime is paid for work done past the 48 hours a week. Therefore, when calculating the minimum wage for an employee whose salary is set monthly, it is important to calculate the minimum wage based on the maximum working hours before overtime allowance becomes applicable. There is no restriction on an employer to require the working hours to be 48 hours and an employer has the discretion to set lower maximum working hours before overtime payment may be applicable. For example, a medium-sized enterprise may contract an employee to work 40 hours a week, on a monthly salary of MVR 5,832³, with the employer agreeing to pay overtime past the 40 hours of work per week.

² As defined in the Small and Medium Enterprises Act 2013 (SME Act).

³ MVR 33.65 x 40 hours = MVR 1346. MVR 1346 x 4.333 weeks = MVR 5832.22

Minimum Wage for Public Sector

7. The minimum hourly rate for public sector employees is MVR 33.65 per hour. The monthly minimum wage for the public sector employees who work at least 30 hours per week is MVR 7000.⁴

Implementation

8. The minimum wage shall be implemented by all employers from 1 January 2022. The minimum wage ordered by the Minister shall be in effect from 8 November 2021 until such time it has been nullified, amended, or replaced by another order on minimum wage.

Review

9. The order issued by the Minister establishing a minimum wage for employees must be reviewed by the Wage Advisory Board once every two years.

Penalty for Non-compliance

10. Any employer who fails to pay the minimum wage, ordered by the Minister, effective 1 January 2022 commits an offence whereby:
 - a. should an employer commit such offence for the first time, the employer shall be fined up to MVR 1000; and
 - b. should an employer commit such offence for a second time, the employer may be either fined for MVR 1000 – MVR 3000 or imprisoned for a period not exceeding 3 months.⁵

⁴The regular working hours for the civil service and some of the public sector employees is 30 hours a week (and any work done pass the 30 hours is paid overtime), the minimum monthly salary of MVR 7000 effectively means that the suggested hourly rate for permanent employees of the public sector is MVR 53.03 per hour (MVR 7000 divided by 22 working days = MVR 318.18 per day. MVR 318.18 divided by 6 hours = MVR 53.03 per hour).

⁵ Section 64 of the Employment Act 2008

The contents of this advisory memo herein is based on our understanding of the Order on Minimum Wage issued by the Minister of Economic Development which was published in the Government Gazette on 8 November 2021. We do not take responsibility for any subsequent changes thereafter which may differ what has been stated herein. The Minister has not set the minimum wage at the time of writing this memo. Information provided above is intended to give general understanding and should not be relied upon in place of a detailed legal opinion relating to any specific matter or action.

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