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## EMPLOYMENT BULLETIN

# REGULATORY UPDATE: MINIMUM WAGE ORDER

### INTRODUCTION

The Sixth Amendment to the Employment Act ratified by the President of the Maldives on 25<sup>th</sup> September 2020, mandated the Government of Maldives to introduce a minimum wage by end of year 2021.

The Minister of Economic Development has via an order issued on 8<sup>th</sup> November 2021 (**the “Minimum Wage Order”**) introduced the rules on minimum wage implementation in the Maldives. A translation of the Minimum Wage Order is available on: <https://bit.ly/3mWi9jR>

This bulletin provides a snapshot overview of the minimum wage rules applicable pursuant to the Minimum Wage Order.

## OVERVIEW OF THE MINIMUM WAGE ORDER

<b>Who is entitled to minimum wage?</b>	<ul style="list-style-type: none"> <li>Employers are obligated to pay minimum wage to all <b>Maldivian citizen</b> employees.</li> <li>Employers are <u>not</u> obligated to pay minimum wage to foreign citizen employees.</li> </ul>																	
<b>When do employers have to start paying minimum wage from?</b>	<ul style="list-style-type: none"> <li>1<sup>st</sup> January 2022.</li> </ul>																	
<b>How much is the minimum wage?</b>	<ul style="list-style-type: none"> <li>Minimum wage amounts are dependent on the categorisation of the respective employer, as follows:</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #005696; color: white;"> <th style="text-align: left;"><u>Employer category</u></th> <th style="text-align: left;"><u>Hourly rate</u></th> <th style="text-align: left;"><u>Monthly minimum wage<sup>1</sup></u></th> </tr> </thead> <tbody> <tr> <td>                     Micro enterprise, namely a business having:                     <ul style="list-style-type: none"> <li>less than 6 employees;</li> <li>annual revenue below MVR 500,000 (<i>approx. USD 32,425</i>); and</li> <li>annual profit below MVR 75,000 (<i>approx. USD 4,864</i>).</li> </ul> </td> <td>No minimum wage applicable.</td> <td>No minimum wage applicable.</td> </tr> <tr> <td>                     Small enterprise, namely a business having:                     <ul style="list-style-type: none"> <li>6 to 30 employees;</li> <li>annual revenue between MVR 500,001 (<i>approx. USD 32,426</i>) and MVR 5,000,000 (<i>approx. USD 324,254</i>); and</li> <li>annual profit between MVR 75,001 (<i>approx. USD 4,864</i>) and MVR 750,000 (<i>approx. USD 48,638</i>).</li> </ul> </td> <td>MVR 21.63 (<i>approx. USD 1.40</i>) per hour.</td> <td>MVR 4,511 (<i>approx. USD 293</i>) per month.</td> </tr> <tr> <td>                     Medium enterprise, namely a business having:                     <ul style="list-style-type: none"> <li>31 to 100 employees;</li> <li>annual revenue between MVR 5,000,001 (<i>approx. USD 324,254</i>) and MVR 20,000,000 (<i>approx. USD 1,297,017</i>); and</li> <li>annual profit between MVR 750,001 (<i>approx. USD 48,638</i>) and MVR 3,000,000 (<i>approx. USD 194,553</i>).</li> </ul> </td> <td>MVR 33.65 (<i>approx. USD 2.18</i>) per hour.</td> <td>MVR 7,018 (<i>approx. USD 455</i>) per month.</td> </tr> <tr> <td> <b>Large enterprise</b>, namely a business enterprise which is not a micro enterprise, small enterprise or                 </td> <td><b>MVR 38.46</b> (<i>approx. USD 2.49</i>) per hour.</td> <td><b>MVR 8,021</b> (<i>approx. USD 520</i>) per month.</td> </tr> </tbody> </table>			<u>Employer category</u>	<u>Hourly rate</u>	<u>Monthly minimum wage<sup>1</sup></u>	Micro enterprise, namely a business having: <ul style="list-style-type: none"> <li>less than 6 employees;</li> <li>annual revenue below MVR 500,000 (<i>approx. USD 32,425</i>); and</li> <li>annual profit below MVR 75,000 (<i>approx. USD 4,864</i>).</li> </ul>	No minimum wage applicable.	No minimum wage applicable.	Small enterprise, namely a business having: <ul style="list-style-type: none"> <li>6 to 30 employees;</li> <li>annual revenue between MVR 500,001 (<i>approx. USD 32,426</i>) and MVR 5,000,000 (<i>approx. USD 324,254</i>); and</li> <li>annual profit between MVR 75,001 (<i>approx. USD 4,864</i>) and MVR 750,000 (<i>approx. USD 48,638</i>).</li> </ul>	MVR 21.63 ( <i>approx. USD 1.40</i> ) per hour.	MVR 4,511 ( <i>approx. USD 293</i> ) per month.	Medium enterprise, namely a business having: <ul style="list-style-type: none"> <li>31 to 100 employees;</li> <li>annual revenue between MVR 5,000,001 (<i>approx. USD 324,254</i>) and MVR 20,000,000 (<i>approx. USD 1,297,017</i>); and</li> <li>annual profit between MVR 750,001 (<i>approx. USD 48,638</i>) and MVR 3,000,000 (<i>approx. USD 194,553</i>).</li> </ul>	MVR 33.65 ( <i>approx. USD 2.18</i> ) per hour.	MVR 7,018 ( <i>approx. USD 455</i> ) per month.	<b>Large enterprise</b> , namely a business enterprise which is not a micro enterprise, small enterprise or	<b>MVR 38.46</b> ( <i>approx. USD 2.49</i> ) per hour.	<b>MVR 8,021</b> ( <i>approx. USD 520</i> ) per month.
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<sup>1</sup> This is on the assumption that (A) an employee works **48 hours per week**, and (B) there are 4 weeks and 3 days in one month.

	<p>medium enterprise. <b>Generally, resort owning entities and banks will fall under this category.</b></p>		
	<p>Public sector, which includes authorities, institutions and offices within the State and Government of Maldives.</p>	<p>MVR 33.65 (<i>approx. USD 2.18</i>) per hour.</p>	<p>MVR 7,000 (<i>approx. USD 454</i>) shall be paid as a minimum if 30 hours are worked.</p>
<p><b><i>What are the payments that can be included in calculating minimum wage?</i></b></p>	<p>The following shall be included when calculating the minimum wage:</p> <ul style="list-style-type: none"> <li>• The basic salary as provided under the employment contract, before the following deductions: <ul style="list-style-type: none"> <li>○ Deductions made by the employer as a result of employee absenteeism.</li> <li>○ Deductions from the employee’s salary to the Maldives Retirement Pension Scheme.</li> <li>○ Employee withholding tax deductions made pursuant to the Income Tax Act.</li> </ul> </li> <li>• Fixed allowances payable on a monthly basis and which form part and parcel of the salary structure.</li> </ul>		
<p><b><i>What are the payments exempted when calculating minimum wage? For example, can service charge be included in minimum wage calculations?</i></b></p>	<p>Employers are <u>not</u> permitted to include the following payments or benefits, as part of minimum wage calculations:</p> <ul style="list-style-type: none"> <li>• Service charge.</li> <li>• Over time pay.</li> <li>• Ramadan allowance paid to Muslim employees.</li> <li>• Seasonal or ad-hoc allowances and bonuses given to employees.</li> <li>• In-kind benefits or costs.</li> </ul>		

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