

## Good to know: 5 Notable Aspects of the UAE Labour Law

Employment regulations in the United Arab Emirates (“UAE”) include certain provisions that differ from legal systems in other countries and are relevant for both employers and employees. Below, we outline 5 notable aspects under Federal Decree-Law No. 33 of 2021, so-called UAE Labour Law, which applies to all employment relationships in the UAE, except for those with employers located in the UAE’s financial free zones.

### Aspect 1

#### Limited-Term Employment Contracts

Employment contracts in the UAE can only be concluded on a limited-term basis. The law does not specify a maximum duration for such contracts. In practice, however, within mainland UAE, employment contracts are limited to a maximum of two years. In contrast, employment relationships with employers based in a free zone can be concluded for longer periods.

Multiple consecutive limited-term contracts are permitted and common practice. Further, a limited-term employment contract cannot be converted into an unlimited-term contract as such type of contract does not exist.

### Aspect 2

#### Annual Leave

Employees are entitled to 30 calendar days of paid annual leave per year.

As the calculation is based on calendar days, weekends, public holidays and days of sick leave that fall within the leave period are counted as part of the annual leave.

It may be possible to agree on working days instead of calendar days for annual leave. A common - however legally not established - equivalent to 30 calendar days is 22 working days.

### Aspect 3

#### Sick Leave

After the probation period, an employee is entitled to a maximum of 90 days of sick leave per year.

Continued payment during sickness is staggered: Full salary is paid for the first 15 days of sickness and 50% of the salary for the following 30 days. From the 46th day of sick leave onwards, there is no entitlement to payment any longer. If sickness-related absence exceeds 90 days within a year, the employer is entitled to terminate the employment.

### Aspect 4

#### Termination

Although employment contracts are always concluded on a limited-term basis, they may be terminated before the expiry date, provided the agreed notice period is observed. After the

probation period, the notice period must be between 30 and 90 days.

During the probation period, the employee’s notice period is 14 days if he is leaving the UAE and one month if he intends to take up a new position in the UAE. If the employer terminates the employment contract during the probation period, the notice period is 14 days.

During the notice period, the employer has the right to exempt the employee from work, so-called garden leave.

Every termination is effective. There is no entitlement to retain employment. A claim for compensation is only justified under very limited circumstances.

### Aspect 5

#### Gratuity

After one year of continuous service, every employee is entitled to a statutory end-of-service gratuity, also referred to as severance pay. This entitlement cannot be waived, even by individual agreement.

The gratuity is calculated based on the employee’s last basic salary, unless the employee participates in an alternative payment model, so-called savings scheme. For the first five years of service, the employee receives 21 days of basic salary per year of service and from the 6th year onwards, 30 days of basic salary per year.

The entitlement to gratuity remains fully in place even if the employee resigns or the employer terminates the employment without notice.

Like all other end-of-service entitlements, the gratuity must be paid within 14 days of the termination of employment.



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**Do you have questions? – We would be glad to answer them!**

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Published: 11.12.2025

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