Termination of Labour Contracts and Entitled Pay

Type	Practical Guidance
Document type	Practice Note
Date	16 Jul 2025
Jurisdiction	Dubai International Financial Centre
Copyright	LexisNexis

Document link:
https://www.lexismiddleeast.com/pn/DubaiInternationalFinancialCentre/Termination_of_Labour_Contracts_and_Entitled_Pay

Overview

- This Practice Note discusses the ways in which employment contracts in the Dubai International Financial Centre (DIFC) are terminated under DIFC Law No. 2/2019 DIFC Employment Law (as amended by DIFC Law No. 1/2024 DIFC Amendment Law).
- This Practice Note also looks at the entitlement of employees upon their termination, including payment of final dues and DIFC employee workplace savings (DEWS).

Definitions

- *DIFC:* Dubai International Financial Centre.
- *DEWS:* DIFC employee workplace savings.
- *GPSSA:* General Pension and Social Security Authority.
- *GCC:* Gulf Cooperation Council.
- *UAE:* United Arab Emirates.

Practical Guidance

Termination of employment contracts

Minimum notice

Article 62(2) of DIFC Law No. 2/2019 sets out the minimum notice requirements that need to be fulfilled when terminating employment contracts which are as follows:

- Seven days if the continuous employment is less than three months, including any period of secondment.
- 30 days if the continuous employment is more than three months but less than five years, including any period of secondment.
- 90 days if the continuous employment is five years or more, including any period of secondment.

Notice requirements under article 62(2) of DIFC Law No. 2/2019 do not apply in the following circumstances:

- During any probationary period agreed in the employment contract.
- In the case of a fixed term employment contract which will expire at the end of the term.
- In respect of termination for excessive sick leave in accordance with article 36(1) of DIFC Law No. 2/2019.

Article 62(3) of DIFC Law No. 2/2019 permits the parties to contractually agree to a longer notice period.

An employer is able to pay the employee in lieu of notice for all or part of the notice period (article 62(4) of DIFC Law No. 2/2019) or if the employee agrees to such a payment in an agreement entered into pursuant, that no false representations have been made prior to employment (article 11(2)(b) of DIFC Law No. 2/2019).

DIFC Law No. 2/2019 specifies a maximum probation period of up to six months (article 14(2)(l) of the DIFC Employment Regulations) except in circumstances where the employee is employed by way of a fixed term contract for six months or less, in which case the probation period may not exceed more than half the term of the fixed term contract. It is common practice for employers to have probationary provisions contained in the employment contracts. Such probationary periods tend to range from three to six months, depending on the position and the seniority of the employee.

Employers are entitled to stipulate the specific notice period during the probationary period. Article 62(6)(a) of DIFC Law No. 2/2019 specifically sets out that the minimum notice period requirements do not apply during any probation period agreed in an employment contract. However, quite often employers opt for a one week notice requirement during the probationary period.

Contrary to the position under DIFC Law No. 2/2019 , article 9(1) of Federal Decree-Law No. 33/2021 On Regulation of Labour Relations, sets out that employers need to give employees on probation, 14 days' notice to terminate their employment. Similarly, an employee must serve 14 days termination notice. Article 9(3) of Federal Decree-Law No. 33/2021 states that should an employee secure alternative employment in the United Arab Emirates (UAE) during the notice period, the employee will notify the employer in writing with a minimum one months' notice from the date they wish to terminate the contract. In this circumstance, the new employer will pay the old employer's recruitment costs unless otherwise agreed.

If an employer chooses to place the employee on probation, it is best practice at the end of the probationary period to conduct an appraisal of the employee's performance prior to confirming the employee's permanent employment.

Article 63(1) of the DIFC Law No. 2/2019 addresses termination for "cause". Pursuant to this, either the employer or employee are entitled to terminate the employment with immediate effect in circumstances where the conduct of one party warrants termination and where a reasonable employer or employee would have terminated the employment as a consequence.

Article 63(1) of DIFC Law No. 2/2019 does not actually define "cause" or the circumstances in which termination without notice is justified. It is generally accepted that these circumstances are limited to cases of gross misconduct.

Article 63(2) of DIFC Law No. 2/2019 states that if an employee terminates their employment for causes pursuant to article 63(1) of DIFC Law No. 2/2019, the employee will be entitled to:

- Payment of their wages in lieu of their notice period.
- A gratuity payment, calculated to include the notice period that the employee would have been required to give to terminate their employment.
- A payment in lieu of the employee's accrued untaken vacation leave, calculated to include the notice period that the employee would have been required to give to terminate their employment.

Article 63(3) of DIFC Law No. 2/2019 sets out if an employer terminates the employment of an employee for causes pursuant to article 63(1) of DIFC Law No. 2/2019:

- The employee will not be entitled to receive any payment of wages in lieu of their notice period.
- The employee's gratuity payment and outstanding vacation leave will be calculated up to the termination date.

Article 64(1) of DIFC Law No. 2/2019 gives the employee the right to request a written statement of reasons for termination if such termination was for cause under article 63(1) of DIFC Law No. 2/2019. The employee has up to 30 days from their termination date to make this request. The employer needs to provide a written statement of reasons within 14 days from the receipt of such a request.

Article 64(2) of DIFC Law No. 2/2019 sets out that there must be sufficient detail included in any written statement of reasons under article 64(1) of DIFC Law No. 2/2019, in order for a reasonable person to understand the reasons for the termination of the employee's employment for cause under article 63(1) of DIFC Law No. 2/2019.

Procedures for termination for gross misconduct

Although DIFC Law No. 2/2019 does not specify any particular procedure that needs to be followed prior to the termination of an employee's contract under article 63(1) of DIFC Law No. 2/2019, most employers in the DIFC have adopted corporate disciplinary and grievance procedures in order to follow a fair procedure when dismissing employees for gross misconduct under article 63(1) of DIFC Law No. 2/2019.

In comparison, article 39 of Federal Decree-Law No. 33/2021 sets out the various disciplinary sanctions that an employer may impose which are as follows:

- Written notice.
- Written warning.
- Deduction from remuneration without exceeding the remuneration of five days per month.
- Suspension from work not exceeding 14 days, and non-payment of remuneration for the days of suspension.
- Deprivation of the periodical increment for a period not exceeding one year.
- Denial of promotion not exceeding two years.
- Dismissal from service while preserving the worker's right to an end of service gratuity.

Article 24 of Cabinet Decision No. 1/2022 On the Implementing Regulation of Federal Decree-Law No. 33/2021 Regarding the Regulation of Employment Relationships clearly sets out the guidelines and controls for imposing disciplinary sanctions on employees.

In addition to the above, it is recommended, as a matter of good practice for the employer, to provide minutes of any investigation or disciplinary meeting to the employee and in serious cases offer a right of appeal.

Sick leave and termination

Pursuant to article 36(1) of DIFC Law No. 2/2019, an employer is entitled to terminate an employee who takes more than an aggregate of 60 working days of sick leave in a 12 month period. In such circumstances, the employer is entitled to terminate the employment contract with immediate effect on written notice to the employee.

Article 36(2) of DIFC Law No. 2/2019 sets out that article 36(1) of DIFC Law No. 2/2019 does not apply where an employee has taken sick leave due to a disability, as defined in article 59(8)(a) of DIFC Law No. 2/2019.

Article 31(3) of Federal Decree-Law No. 33/2021 states the worker may, after the end of their probation period, have sick leave of not more than 90 consecutive or intermittent days per year, provided that it is calculated as follows:

- The first 15 days with full pay.
- The following 30 days with half pay.
- The subsequent period without pay.

Article 31(5) of Federal Decree-Law No. 33/2021 states that the employer may terminate the worker's service after exhausting their sick leave, if they are unable to return to work, provided that the worker receives all their financial entitlements in accordance with the provisions of the Federal Decree-Law No. 33/2021and Cabinet Decision No. 1/2022.

Pension for UAE and Gulf Cooperation Council Nationals

Article 65(1) of DIFC Law No. 2/2019 sets out that where an employee is a UAE or Gulf Cooperation Council (GCC) national, the employer will ensure that the employee is registered with the General Pension and Social Security Authority (GPSSA) and will make the necessary pension contributions in accordance with federal law.

However, article 65(2) of DIFC Law No. 2/2019 sets out that employees registered with GPSSA will not be eligible to receive any gratuity payment on the termination of their employment with their employer.

In accordance with article 65(3) of DIFC Law No. 2/2019, where an employee is a UAE or GCC national and their pension contributions to the GPSSA are less than the core benefits that would have been payable had they not been a UAE or GCC national, that employee will be entitled to a top-up contribution to a qualifying scheme in an amount equal to the shortfall, in accordance with article 66(7)(c) of DIFC Law No. 2/2019, provided that the monthly top-up contribution is AED 1,000 or more.

Entitlements upon termination

Gratuity payment

In accordance with article 66 of DIFC Law No. 2/2019, an employee who is not registered with the GPSSA under article 65(1) of DIFC Law No. 2/2019 and completes continuous employment of one year, is entitled to receive gratuity payment for any period of service before or after the qualifying scheme commencement date upon the termination of their employment.

Article 66(2)(a) of DIFC Law No. 2/2019 sets out that entitlement to gratuity is 21 days basic wage for the first five years of service prior to the qualifying scheme commencement date and thereafter, an amount equal to 30 days basic wage for each year after the first five years of service prior to the qualifying scheme commencement date (article 66(2)(b) of DIFC Law No. 2/2019). Such gratuity should not exceed twice the employee's annual salary.

DIFC employee workplace saving scheme

The DIFC introduced the DIFC employee workplace savings scheme (DEWS), a form of a qualifying scheme, which came into effect on 1 February 2020. The DEWS regime has superseded the end of service gratuity scheme and employees working with the DIFC entities must be registered onto either the workplace savings or pensions plan.

In accordance with article 66(7) of DIFC Law No. 2/2019, an employer will, on a monthly basis, pay a percentage of each employee's monthly basic wage for the benefit of each employee into a qualifying scheme with 5.83% payable for the first five years of service and 8.33% for each additional year thereafter.

Payment of wages upon termination

Article 19(1) of DIFC Law No. 2/2019 specifies that an employer must pay employees all remuneration, the gratuity payment, all accrued but untaken annual leave, and all outstanding amounts due in respect of the employee under article 66(7) of DIFC Law No. 2/2019, within 14 days of the employee's termination. An identical timeframe is provided under article 53 of Federal Decree-Law No. 33/2021.

If an employer fails to comply with article 19(1) of DIFC Law No. 2/2019, the employee is able to claim a penalty under article 19(2) of DIFC Law No. 2/2019, which is equivalent to the employee's daily wage for each day the employer is in arrears of its payment obligations under article 19(1) of DIFC Law No. 2/2019. Employers need to be mindful of article 20 of DIFC Law No. 2/2019, which explains that no unauthorised deductions will be made from an employee's wages, unless:

- The deduction is permitted under DIFC Law No. 2/2019 or agreed to in an employment contract not in contravention of DIFC Law No. 2/2019.
- The employee has given prior written consent to such deductions, provided that such deductions is not prohibited under DIFC Law No. 2/2019.
- The deduction is a reimbursement for an overpayment of wages, or expenses or to recoup benefits utilised by an employee in excess of their accrued entitlement under their employment contract.
- The deduction has been ordered by the court.

In practice, if an employer needs to deduct an amount from the final payment given to the employee, such deductions should clearly be outlined in the statement of final dues given to the employee. It is best practice to ensure that any such statements are signed by both the employee and the employer.

Related Content

Legislation

UAE

- Federal Decree-Law No. 33/2021 On Regulation of Labour Relations
- Federal Decree-Law No. 9/2024 Amending Some Provisions of Federal Decree-Law No. 33/2021 on Regulating Labour Relations

- Cabinet Decision No. 1/2022 On the Implementing Regulation of Federal Decree-Law No. 33/2021 Regarding the Regulation of Employment Relationships

DIFC

- DIFC Law No. 2/2019 DIFC Employment Law
- DIFC Law No. 1/2024 DIFC Amendment Law

Regulations

- DIFC Employment Regulations

Authors

Sarah Malik*
CEO and International Disputes Counsel, SOL International Ltd
sarahmalik@sol-intl.com
+971 58 574 2678

Areas of expertise

- Tech Law
- Dispute Resolution
- Employment Law
- Sports Law
- Entertainment and Fashion Law

Memberships

- Barrister in England & Wales
- Fellow of Chartered Institute of Arbitrators

Biography

Sarah Malik is an award-winning lawyer who founded SOL International Ltd, a boutique legal consultancy registered at the ADGM in 2018. Sarah achieved *'Litigator of the Year'* (2022) at the first GCC Women in Law Awards and received an honourable mention as *'Law Firm Leader of the Year'* category at the same awards. In March 2022, SOL was named by Legal 500 EMEA as '*A Firm to Watch in Dispute Resolution: Arbitration and International Litigation'*. In 2023 Sarah was listed as a '*leading practitioner'* in The Arbitration Powerlist: Middle East Legal 500 EMEA.

Prior to founding SOL she practiced as a Barrister at a leading set of Commercial Chambers in London for fifteen years, was employed Counsel at a leading UK law firm for two years and headed the Advocacy and Investigations team of an international law firm in Dubai for three and a half years.

Sarah was featured in the special edition of the UAE Managing Partners Report for two consecutive years published by LexisNexis for International Women's Day.

Sarah advises clients in the UAE and internationally on all aspects of employment and labour law issues.

Sarah undertakes all aspects of employment work and has a busy employment law practice, both contentious and non-contentious, at the DIFC and the ADGM Courts as well as undertaking cross border employment matters. In addition, she runs high-level disputes and negotiates senior level severance packages.

She has carried out investigations and disciplinary meetings on behalf of Clients in the UAE and internationally with a track record of high-profile investigations. She has authored various articles on employment law for the LexisNexis Middle East Law and HR Alert. Within the DIFC, she is the go-to lawyer to settle lawyer disputes between lawyers and law firms.

Sarah is appointed as visiting lecturer on the LLM course at Middlesex University, Dubai and co-devised a UAE and DIFC Employment Law module for the LLM for both postgraduate students and industry.

Sarah is regularly invited to speak at conferences within the UAE, GCC and internationally for the ICC and at the IBA.

In November 2025, Sarah will be involved in the ICC and IBA in Toronto.

In March 2025, Sarah co-authored an article entitled '*Navigating the ADGM Employment Regulations 2024: What's Changed?'*.

She regularly conducts training for students, legal professionals, corporates and government organisations on Unconscious Bias in the workplace, Gender and Equal Pay and various other aspects of employment.

Sarah was instructed as Counsel on the first race discrimination claim against a multi-national bank before the DIFC Courts in 2023.

In October 2023, Sarah spoke on *'Prosecuting and Defending Complaints For Employer Violations of Workplace Health* and Safety and Psychological Duties.*'* at the IBA Conference in Paris.

In May 2022, she spoke at the Women in Law Forum, organised by the UK Ministry of Justice on '*Bias, Behaviour and Belonging*'.

In addition to employment law, Sarah has a busy litigation and dispute resolution practice and teaches for the DIFC Academy. She is often used as external counsel and advocate by law firms and in-house clients and acts as personal advisor to Ultra High Net Worth private clients. She is known as a straight-talking, no-nonsense lawyer and her approach and commitment has resulted in a loyal client following.

Lina Bukhari
Trainee Solicitor, SOL International Ltd
LinkedIn[1 p.8]

Biography

Lina is a Trainee Solicitor at SOL International Ltd, holding an LLB from Manchester Metropolitan University. She completed the Legal Practice Course and a Master of Laws at the University of Law, Manchester. Currently, she is on track to qualify as a Solicitor of England and Wales by September 2025.

Lina has gained significant legal experience, including working on a complex multi-jurisdictional case at the DIFC Courts and the Dubai Courts, which was heard before the Joint Judicial Committee. She has assisted on a multi-million dispute with 13 defendants at the ADGM Courts, representing the interest of one defendant. She has also been involved in a multi-million dollar claim before the DIFC Courts concerning the enforcement of a foreign arbitral award, with issues relating to service and jurisdiction.

Lina's practice spans several legal areas, including dispute resolution, litigation, commercial, employment, fashion, and private client law. She has experience in the corporate sector at both local law firms and international law firms. Lina has experience in reviewing, assisting and drafting various agreements.

Lina also has experience setting up companies at the ADGM. She has advised on the selection of appropriate legal structures, compliance with ADGM's company regulations, and liaising with the Registration Authority to facilitate a smooth incorporation process.

A fluent speaker in both English and Arabic, Lina frequently contributes to legal articles. She has co-authored legal articles titled:

- Tradition to Technology: The Impact of AI on UAE Arbitration.
- Stitching the Legal Fabric: Exploring the Interplay of Fashion and Law in the UAE.
- Lights, Camera, Legal: The Law Behind the UAE's Entertainment Boom.

Lina is an active participant in the ADGM Pro Bono Programme, where she provides legal assistance to individuals in need who would otherwise not have access to justice.

Lina has a strong interest in entertainment law, particularly in the legal and commercial aspects of the film, music, fashion, and art industries. She follows emerging trends and regulatory developments affecting creative professionals, production companies, and rights holders. Her interest extends to contract negotiation, talent agreements, licensing, and dispute resolution within the entertainment sector.

"Working at SOL is an invaluable experience, allowing me to refine my legal expertise in a dynamic and collaborative environment. Under the guidance of Sarah Malik and the SOL team, I have grown significantly as a legal professional and continue to develop my skills while contributing meaningfully to our clients and the firm."

Notes

1. ^ [p.7] https://ae.linkedin.com/in/lina-bukhari-706b62195