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Doing Business
in **Dubai**

Al Tamimi & Company

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About Us

Al Tamimi & Company has unrivalled experience, having operated in the Middle East and North Africa ("MENA") region for over 30 years. Our lawyers combine international experience and qualifications with expert regional knowledge and understanding.

We are a full-service firm, specialising in advising and supporting major international corporations, banks and financial institutions, government organisations and local, regional and international companies. Our main areas of expertise include arbitration & litigation, banking & finance, corporate & commercial, intellectual property, real estate, construction & infrastructure, and technology, media & telecommunications. Our lawyers provide quality legal advice and support to clients across all of our practice areas.

Our business and regional footprint continues to grow, and we seek to expand further in line with our commitment to meet the needs of clients doing business across the MENA region.

Doing business in the Middle East and North Africa? So are we.

Our regional footprint means that wherever our clients are doing business in the region, we are there to support them. Our expansion has been strategic and client driven. Our values define who we are and what is important to us. As a firm, we have grown based on a set of core values, which are integral to all that we do.

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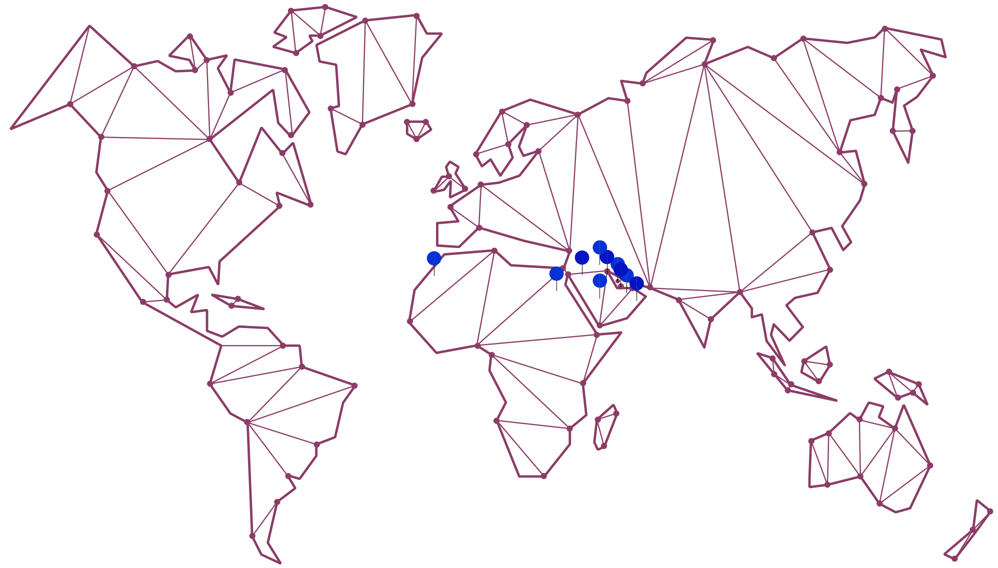
Our Regional Footprint



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Foreword

Welcome to our latest edition of “Doing Business in Dubai”.

This guide provides companies and individuals with the vital information they need when considering their operations in the Emirate of Dubai. The guide seeks to answer some of the most important questions that investors have regarding their business structures based on the specific activities they wish to undertake. We have also provided an insight into the key issues in respect of taxation and employment law for companies and employers alike.

As a regional business hub, Dubai has experienced exponential growth in recent years, and consistently strives to reinforce its position as a commercial, cultural and economic leader in the GCC and beyond. Our “Doing Business” series of books has become increasingly popular in helping business leaders to set up new businesses, and to remain up to date on legal policies and changes in legislation.

We trust that you will find the information presented of value and that it will provide you with a greater understanding of both the business and legal aspects of operating in Dubai. We look forward to the opportunity to work with you to ensure your success when doing business here.

Essam Al Tamimi
Chairman
Al Tamimi & Company

Samer Qudah
Managing Partner
Al Tamimi & Company

About Dubai

About Dubai

Dubai is a cosmopolitan city with a diverse and vibrant culture. Considered to be the most liberal place in the MENA, it is home to over 200 nationalities. Attracting visitors from across the globe, Dubai is also home to the Burj Khalifa, the world's tallest building, as well as some of the largest shopping malls and most luxurious hotels in the world.

Well known for its innovative construction and development projects and having proven its ability to host world class events, in November 2013 it was announced that Dubai had won the right to host the World Expo 2020. With an estimated 25 million visitors, hosting the Expo will boost Dubai's economy and reinforce its position as a world hub.

Why do business in Dubai?

Dubai is one of the seven emirates that form the Federation of the United Arab Emirates (UAE). It has the largest population in the UAE and has long been considered a business and cultural hub of the MENA.

With an economy historically built on the oil industry, Dubai's main revenues now come from tourism, trade, aviation, real estate and financial services, with income from oil now accounting for less than 3% of the Emirate's GDP. Committed to free trade, Dubai has a modern business infrastructure with a corporation-friendly tax regime and a healthy banking and financial system.

Home to the world's largest man-made harbour and the MENA's largest port, Dubai is the region's transport and logistics hub - a key factor in the decision of numerous multinational companies in having a presence in the emirate. The creation of unique investment opportunities with the establishment of industry-specific free trade zones throughout the emirate further enhance the attractiveness of doing business in Dubai.

Government

Under the leadership of His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and the Ruler of Dubai, The Government of Dubai's strong commitment to free market economy and fair competition has seen the emirate become the region's most competitive business hub. The Government's strategic infrastructure investment and transparent corporate governance policies have created a world class business environment

Language

The official language of the UAE is Arabic, although English is widely used in business circles.

Currency

The currency of the UAE is the United Arab Emirates Dirham (AED). 1 dirham equals 100 fils

Population

Approx. 3 million

Religion

Islam

Setting up in Dubai

Setting Up in Dubai

a. Investment considerations

In recent years Dubai has emerged as a major global business hub. Visionary leadership has seen the emirate's economy - previously reliant on hydrocarbons - diversified across sectors including trade, tourism, banking and logistics. Dubai's political stability, advantageous geography, free market philosophy and strong prospects for future growth have combined to attract considerable foreign direct investment (FDI). The emirate's growth story has captured the global imagination, attracting tourists, entrepreneurs and multinationals alike. Once a sleepy fishing village, today Dubai is a bustling metropolis able to compete on equal terms with any of the world's cities.

Before setting up a business in Dubai, some specific factors to consider are:

Location:
Dubai is strategically located in the heart of the MENASA belt (Middle East, North Africa and South Asia) and has superb international trade links. Emirates, Dubai's globally famous airline, flies to more than 140 destinations all over the world. Much work has taken place in recent years to ensure Dubai is the best place to do business in the region.

Laws:
Dubai's laws and regulations are frequently amended to provide a flexible and up-to-date legal framework for commercial best practice. Dubai is a dynamic, business-friendly environment; companies can be established quickly in any of the emirate's freezones and incentives include virtually zero corporate or personal taxation and no limits on the repatriation of money.

Government:
Dubai's government is the driving force behind the emirate's push to become the world's leading business destination. The Department of Economy and Tourism (DET), previously known as the Department of Economic and Development in Dubai works tirelessly to create a commercial environment free of unnecessary bureaucracy in which companies have everything required to thrive. The DET is mandated to actively pursue Investments into Dubai and recently took steps to make Dubai a more attractive business destination by simplifying licensing procedures.

Political Stability:
Dubai enjoys excellent political stability, a factor that makes it a very attractive business destination in the MENA.

Infrastructure and Services:
Dubai's ultramodern infrastructure is purpose-built to facilitate business and tourism. The emirate's transport and telecommunications networks are second to none. In terms of legal and financial services, the most successful banks and law firms all have headquarters in Dubai.

Dubai attracts foreign investments because it offers an unrivalled environment in which to do business, with political stability, low set-up costs, excellent geography and superb quality of life. The emirate offers year-round sunshine, a myriad of leisure and dining options and one of the lowest crime rates in the world. At every point, Dubai is focused on achieving investor satisfaction.

b. Doing business

Dubai's business environment has much to offer companies of all sizes. A variety of registration options are designed to make setting up as simple and practical as possible.

1. Legal Structures

Business may be carried out through a direct business presence in Dubai, be it through a sole proprietorship or though a corporate entity. Business may also be carried out indirectly through commercial agents.

a. Sole Proprietorship / Sole Establishment

A sole proprietorship is a simple business method whereby an individual trades on his own account pursuant to a trade licence issued in his own name. This form of business entity is referred to as an 'establishment' rather than a company and the sole proprietor is personally liable to the full extent of his assets for the liabilities of the business. The establishment will not have an independent legal entity from that of the owner.

Mainly UAE nationals and nationals of Gulf Cooperation Council (GCC) countries (subject to certain conditions) are permitted to form sole proprietorships in Dubai. A practice has, however, arisen in recent years whereby a UAE national obtains a trade licence for a sole proprietorship and leases it to expatriates who then take on all of the management functions of the business and retain all of the profits. However, this type of arrangement is not recommended as it is essentially unlawful and problems can arise if the business relationship between the parties breaks down. Furthermore, the legal holder of the licence will be 100 percent liable for debts vis-à-vis any third party who may not have any knowledge of the private arrangement.

Foreigners may form sole proprietorships if they reside in the UAE. However, the law restricts the activities a foreigner may engage in as a sole proprietor to certain fields. These include the following:

- Consultancy business activities.
- Professional business activities.
- Similar services and non-trading activities.

A foreign sole proprietor is required to appoint a local services agent. The local service agency contract must be authenticated by the Notary Public and the foreigner's residence should be under the new business sponsorship.

Thus, the procedures for establishing a sole proprietorship vary according to the nationality or identity of the prospective sole proprietor. However, the common and main factor for establishing any type of sole proprietorship is that a licence should be obtained from the DED after submitting an application together with all relevant documents.

b. Corporate Forms

Various legal corporate forms are available for the establishment of a business in Dubai. The table below provides an overview of some of the corporate vehicles available to set up in Dubai and certain salient comparative features of each, which are based on the provisions of the Commercial Companies Law, Federal Law No. 32 of 2021, as amended (CCL) – the primary law governing corporate entities.

Corporate Forms	Structure of Partners / Shareholders	Minimum Capital Requirement
Partnership Company	2 or more partners who owe joint and several unlimited liability	None
Limited Partnership Company	General (active) partners who owe joint and unlimited liability and limited partners who owe limited liability to the extent of the share in the company	None
Public Joint Stock Company	5 or more shareholders who owe limited liability	AED 30,000,000
Private Joint Stock Company	Between 2 and 200 shareholders who owe limited liability. It is permitted for a legal person to incorporate and hold a private joint stock company.	AED 5,000,000
Limited Liability Company	Generally between 2 and 50 partners/ shareholders who owe limited liability. Nevertheless, one person, natural or corporate may incorporate a one person limited liability company.	None
Branch of a Foreign Company	A branch of a foreign company can be established. The branch will be wholly owned by its parent company	None

Setting Up in Dubai

Additional information on the corporate forms listed above is as follows:

Partnership Company:
A partnership company is an arrangement between two or more partners, who are natural persons and are jointly and severally liable to the extent of all their property for the liabilities of the Company, whereby each partners is jointly and severally liable without limit for the partnership company's liabilities. Hence, this form of business is therefore not common in the UAE.

Limited Partnership Company:
The CCL defines a Limited Partnership Company as a Company which consists of one or more General Partners who are jointly and severally liable for the obligations of

the Company and act in the capacity of a trader, in addition to one or more Limited Partners who are held liable for the obligations of the Company only to the extent of their respective capital contributions, and do not act in the capacity of a trader.

The provisions relating to General Partnerships shall also apply to Limited Partnerships, subject to certain provisions in respect of the Limited Partner. In addition, a limited partner's liability is limited to the extent of their share capital in the company. limited partners should, of course, ensure they do not lead third parties to believe they are anything other than a limited partner (silent partner) otherwise their limited liability will cease. The management of the Limited Partnership Company is vested in the general (active) partners.

Limited Liability Company (LLC):
A LLC is governed by the CCL. A LLC is often the most suitable method of establishing a business in Dubai by foreign investors. This is similar to the private limited liability companies in the United Kingdom. However, as mentioned earlier, where the intended business involves banking and/or insurance, a LLC is not legally permitted to practice such activities and a PJSC will have to be established. The CCL defines a LLC as a company "with limited liability… where the number of partners may not exceed fifty and should not be less than two. Each of the partners shall only be liable to the extent of his share in the capital.

The CCL also allows any single natural or legal person, to incorporate and own a limited liability company. The capital owner of the company shall be liable for the obligations of the company only to the extent of the capital set out in its MOA.

In the event of the single person limited liability company, the name of the company shall be accompanied with the phrase “one person company”.

In addition, the following may be noted with regards to a LLC: Public subscription for raising capital is not permitted;

- Subsequent to the recent development in the UAE, the CCL currently allow foreign national to own a company up to 100% subject to certain activities that are considered as a strategic activities, that are only permitted for UAE nationals.
- The day- today management of the company may be vested in a foreign manager;
- Managers may be one or more of the partners or any other parties (including foreigners);
- It is necessary to appoint an auditor who must be accredited in the UAE;
- The auditor should be appointed by the general assembly (which is essentially a meeting of all the shareholders of the company).

Public Joint Stock Company (PJSC):

PJSCs are governed by the CCL, which defines a PJSC as a company whose capital is divided into equal value negotiable shares.

A PJSC is very similar to the public limited company in the United Kingdom. According to the CCL, the shareholders of a PJSC are liable only to the extent of contributing the value of their shares in the capital of the company.

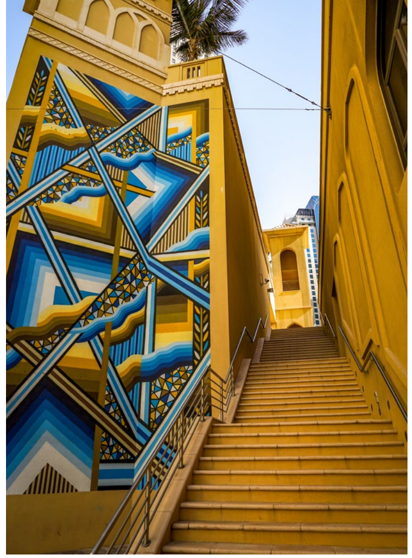
The nominal value of each share of a PJSC should not be less than AED 1 and not more than AED 100, and the minimum share capital requirement is AED 30 million for a general company, AED 40 million for a banking entity and AED 250 million for an insurance company.

Among the requirements for the establishment of a PJSC is the preparation of a founders’ agreement, a prospectus or invitation for public subscription supported by an overall business plan/ economic feasibility study and an auditor’s certificate, a due diligence survey and a memorandum and articles of association, which must be in accord with the specimen issued by the Security and Commodities Authority. Any deviation from the specimen form must be approved in advance by the Security and Commodities Authority which regulates PJSCs. Further, the name of the intended company must end with the words ‘Public Joint Stock Company’.

A PJSC must have at least five founding members and its management should be vested in a board of directors consisting of an odd total number of directors of which the minimum is three and a maximum is eleven persons whose term of office may not exceed three years. Directors can be re-elected when their term of office has expired.

A public joint stock company is required to have a chairman of the board of directors, and the nationality of the Chairman shall be as set out by the Cabinet or the competent authority while forming the Board of Directors of the PJSC.

At least 10 percent of the net profit should be allocated to a reserve account until such reserve account



amounts to half of the total paid-up capital of the company.

In addition, the founder members must subscribe to a minimum of 30 percent and a maximum of 70 percent of the share capital of the company. If new shares are issued, the existing shareholders should be offered the opportunity to subscribe for such shares in proportion to their existing shareholding in the company.

There are additional requirements for the incorporation and operation of a PJSC stipulated under the CCL that should be considered by interested investors. However, given the fairly restrictive rules and controls governing the establishment and management of a PJSC and the substantial capital requirement, it is not regarded as a suitable business vehicle for most foreign investors.

The PJSC has become increasingly popular in the recent years vis-àvis the private sector an indicator of which is that there are currently more than 100 PJSCs in the UAE due to the fact that such business vehicles enable businesses to raise substantial amounts of capital, particularly where large-scale projects are concerned. This allows small foreign and local investors to participate in such projects.

It should also be noted that, where ones contemplating a business venture which involves insurance or commercial banking the establishment of a PJSC is a legal necessity and no other type of company may be established for such activities.

Private Joint Stock Company:

It is permitted for a legal person to incorporate and hold a private joint stock company. The name of the company must be followed by the phrase "Private Joint Stock – Sole Proprietorship".

A private joint stock company is essentially the same as a PJSC, with the following differences:

1. The minimum capital requirement is AED 5 million;
2. The shares of a private joint stock company may only be offered to the public after two financial years have been completed and upon conversion to a PJSC (and other requirements are met); and
3. It is supervised by the Ministry of Economy (as opposed to regulated by the Security and Commodities Authority);
4. Only 2 founder members are required.

Considering the lower capital requirement of AED 5 million, private joint stock companies are more popular with foreign investors than PJSC’s.

It is worth noting that the procedures for setting up a private joint stock company are the similar to those of a PJSC.

Branch Office of a Foreign Company:

A very popular way for foreign companies to benefit from 100 percent foreign ownership is to establish a branch office of the parent company. The CCL contains provisions regulating the establishment of branch offices of foreign companies in the UAE.

A branch office is legally part, and an extension of, its parent company and does not have a legal identity distinct from its parent company.

Therefore, the name of a branch office will be the same as that of the company of which it is a part.

- It is necessary to appoint an auditor who must be accredited in the UAE;

As per the recent changes and reference to the Federal Decree by Law number 32 of 2021, branch of foreign companies can be registered without appointing a local agent as per the previous Law that was repealed by the Federal Decree by Law number 32 of 2021.

One of the conditions for establishing a branch office in the UAE is that it may only be engaged in activities similar to those of its parent company (subject to such activities being licensed by the relevant authority). It is important to note that a branch office is not permitted to carry on the business of importing, exporting, manufacturing or distribution of the products of its parent company.

The issuance of a branch license from the DET allows the parent company to conduct business in Dubai through the branch office. The activities the branch office will be allowed to practice, therefore, will depend on the type of license it obtains and, more importantly, the activities of the company of which it is a part.

A branch must be registered with the Ministry of Economy, which requires submission of a bank guarantee of AED 50,000 in favor of the Ministry of Economy and a letter from a local auditor confirming its appointment.

Representative Offices of Foreign Companies:

Representative offices aregoverned by the CCL. A representative office of a foreign company is legally distinct from a branch office of a foreign company in that it is only allowed to promote its parent company's activities. Therefore, if a parent company deals in the sale and/or production of certain products and opens a representative office in Dubai, the office will only be able to promote and market the sale and/ or production of such products and facilitate contracts in the UAE, as distinct from conducting the sale and production itself.

It should be noted that in addition to the above limitations, representative offices have other restrictions in that they are not allowed to obtain credit facilities or put forward offers.

As in the case of a branch office, it is not necessary when establishing a representative office to appoint a national service agent.

A Representative Office, similar to the branch of foreign company must be registered with the Ministry of Economy, which requires submission of a bank guarantee of AED 50,000 in favor of the Ministry of Economy and a letter from a local auditor confirming its appointment.

Civil Companies:

Apart from the companies which may be established under the CCL, the UAE Civil Transactions Law, Federal Law No. 5 of 1985 (Civil Code) provides for the formation of three forms of civil or professional entities, namely:

- Companies to perform work (service/professional companies);
- Speculative venture partnerships;
- Mudaraba companies.

The main difference between entities under the CCL and those under the Civil Code is that the activities which may be practised in the former are of a commercial nature, whereas in the latter, the activities that may be practised involve the use or investment of intellectual faculties, acquired information or the use of skills, for example, carpentry. The fact that civil companies do not practise activities of a 'commercial' nature does not denote that they are non-profit making organizations. It is simply a distinction made in the UAE's legal system in terms of the 'types' of activities a business practices.

Although the above three entities are called companies, strictly and legally speaking they are not companies as the only companies which may be formed in the UAE are commercial companies as listed under the CCL. Instead, such entities are more representative of civil activities that may be practised rather than legal structures of business in their own right.

This distinction is particular to the UAE. However, in practice, most people do not differentiate between civil and commercial entities and instead use the term 'company' for all business. The difference is, nevertheless, legally significant as civil entities are subject to the Civil Code in addition to local law and commercial companies are subject to the CCL.

Further, the only legal entity a civil company may be established under is a partnership either between UAE nationals, between UAE nationals and foreigners or between foreigners only, provided that a UAE national is appointed as local service agent, for the practice of civil rather than commercial activities such as consultancy and carpentry.

Setting Up in Dubai

Companies to Perform Work (Service/Professional Companies)

Under the Civil Code, service or professional companies are defined as companies where two or more persons agree to be bound to carry out work and to be liable thereafter to third parties against payment of consideration, where they share equally in the distribution of the work, provided that the work is of a single and inseparable nature.

Speculative Venture Partnerships

This form of partnership is a contract between two or more persons to purchase property on credit, to sell it at a profit and subsequently to share the profits as agreed between them.

Mudaraba Companies

A Mudaraba is a contract where one of the parties to the contract contributes a certain amount of capital and in exchange, the other party, the Mudarib, contributes his efforts/labour in order to make a profit. Here, the Mudarib is treated as a trustee of the capital as well as a partner to the profits.

There are other conditions, many of which must be satisfied for a Mudaraba to be valid. Among these conditions is a provision that the contract must not stipulate that the Mudarib will be liable for any loss or waste of the capital, provided there is no wrongful act on part of the Mudarib.

Thus, the Mudarib is given the power to make dispositions on behalf of the owners(s) of the capital. Nevertheless, the owner of the capital may stipulate the conditions of the contract provided they are not contrary to the Civil Code. However, he alone will bear any losses incurred and under the Civil Code any provisions made to the contrary are deemed void.

Taxation

Taxation

1. Corporate income tax

Currently there is no corporate tax at the Federal level.

The Emirate of Dubai imposes corporate tax on companies engaged in the production and exploration of oil and gas at progressive rates up to 55% and branches of foreign banks at 20%.

A tax holiday for up to 15-50 years may be available for businesses established in a free zone.

The UAE has entered into more than 80 double tax treaties.

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a federal corporate income tax to be effective for financial years starting on or after 1 June 2023. The draft legislation is expected to be published before the end of 2022.

The federal corporate income tax is expected to be imposed on businesses at the rate of 0% for taxable income up to AED 375,000 and 9% for taxable income above AED 375,000. A different tax rate will apply for certain large multinational companies with global consolidated revenues in excess of EUR 750 million (approximately AED 3.15 billion).

Companies engaged in the exploration and production of oil and gas will be exempt from federal corporate tax. In addition, charities and public benefit organisations, the UAE government and entities wholly owned by the UAE government will also be exempt from federal corporate tax subject to meeting certain requirements. Special rules will apply to free zones.

2. Value added tax (VAT)

VAT was implemented in the UAE at the Federal Level on 1 January 2018.

Unless the supply is specifically zero rated or exempt, VAT is imposed on the supply of goods of goods and services in the UAE as well as imports of goods and services. The standard rate of VAT is 5%.

The export of goods and services outside the GCC, international transportation of goods and passengers, medicine and medical equipment, the first supply of residential real estate and certain healthcare and education services are subject to VAT at the zero rate. The supply of margin based financial services, life insurance, local passenger transport and residential real estate other than the first supply are exempt from VAT.

A UAE business is required to register for VAT if the value of annual taxable supplies exceeds the mandatory registration threshold of AED 375,000. A UAE business may register for VAT if the value of annual taxable supplies exceeds the voluntary registration threshold of AED 187,500. Non-residents that are liable to account for VAT must register for VAT irrespective of the value of the supplies.

3. Excise tax

In the UAE, excise tax became effective on 1 October 2017 and applies to tobacco products at 100%, energy drinks at 100%, and carbonated drinks at 50%. The tax is based on the higher of the retail sales price of the excise goods or a standard price published by the Federal Tax Authority.

The responsibility for accounting for excise tax falls on importers of the excise goods on import into the UAE, producers of excise goods when they are released for consumption in the country and stockpilers of excise goods when the goods are acquired by a stockpiler and excise tax has not previously been paid on those goods.

4. Customs duties

The UAE has enacted the GCC Customs law under which customs duty is imposed at the first point of entry into the GCC.

Customs duty applies to imported goods generally at the rate of 5% of the cost, insurance and freight (CIF) invoice value. However, certain goods may be subject to customs duty at a higher rate whereas other goods are exempt.

The import of goods into free zones is generally not subject to customs duty and the duty is suspended until the goods are imported into the UAE mainland. There are also other exemptions from customs duty.

5. Real Estate

A registration fee is payable on the transfer of ownership of land or property at 4% of the sale value. This fee is also payable on the transfer of shares in companies holding real estate based on the value of the underlying property.

6. Municipal taxes

The Emirate of Dubai imposes a municipal tax on properties based on the annual rental value. This is generally payable by tenants at 5% for residential properties and 10% for certain commercial properties. The tax is payable through the monthly utility bill in instalments.

7. Hotel and tourism taxes

The Emirate of Dubai imposes various taxes on hotels based on the value of the hotel services. These include a municipality fee of 7% and a service charge of 10%. In addition, a Tourism Dirham Fee is chargeable to hotel guests and tenants of hotel apartments per night of occupancy (for a maximum of 30 consecutive nights) ranging from AED 7 to AED 20 per night depending on the category/grade of the hotel.

8. Personal income tax and Social security

There is no personal income tax in Dubai.

Social security is due in respect of GCC nationals only. The employer and employee are required to pay a percentage of the employee's salary. The percentage varies depending on the nationality of the GCC national employee.

Under the labour law, foreign employees are entitled to an end of service gratuity which is based on 21 days of the basic salary per year after the completion of at least one year of employment.

Employment Law in Dubai

Employment Law in Dubai

Employment relations in the UAE and Dubai are generally governed by Federal Law No. 33 of 2021 and its Executive Regulations, Cabinet Resolution No. 1 of 2022 (Labour Law) that set out a minimum standard of employment conditions. As a Federal statute, the provisions of the Labour Law apply to all private sector employers based in the UAE, including employers established in a freezone. Although a freezone may implement internal employment regulations applicable to companies established and operating within it, these regulations will merely supplement the minimum provisions as laid out in the Labour Law. Whilst some governmental corporations/entities operate like private sector enterprises they generally fall outside the scope of the Labour Law.

The only current exception to the overarching application of the Labour Law in Dubai is in the Dubai International Financial Centre (DIFC) that is a separate jurisdiction with its own employment legislation, namely DIFC Law No. 2 of 2019 as amended (Employment Law). The application of the Employment Law is to all employees and employers who are based and ordinarily work out of the DIFC.

1. Contracts

Dubai

The Labour Law provides that contracts of employment have to be for a fixed period but the term can be determined by the parties. Fixed term contracts may be renewed automatically or by mutual agreement following the expiry of the agreed fixed term period.

DIFC

The Employment Law recognizes both unlimited and fixed- term contracts. However, in the case of a fixed-term contract the Employment Law does not expressly restrict the length of the term. Similarly, there is no restriction upon entering into further fixed-terms.

2. Probation

Dubai

A probationary period can be for a maximum period of six months and cannot be extended beyond this period even with the consent of the employee. If an employee is working under a probationary period, he may be dismissed for any reason by his employer following a 14 calendar day notice period. The notice period that an employee must provide their employer if they resign during their probation period is also 14 days, save as where they are resigning to join another UAE entity, in which case, the notice period is increased to 30 days.. When an employee has completed his probationary period successfully and continues employment, the probationary period is counted towards their overall period of service.

DIFC

The Employment Law provides for a maximum probationary period in line with the period under the Labour Law (i.e. up to six months). Where an employee is working under a probationary period, they may be dismissed for any reason by the employer within or immediately upon completion of the probationary period without notice. When an employee has completed the probationary period successfully and continues employment, the probationary period is counted towards their overall period of service.

3. Salary/wages

Dubai

There is no statutory minimum/ maximum salary in the UAE however, in order to sponsor a dependant (spouse and children) to live in the UAE, an employee must earn a minimum salary of at least AED 4,000 (approx. USD 1,100) per month. In order to sponsor parents to live in the UAE this minimum is increased to AED 20,000 (approx. USD 5,500) per month. Further, in order to sponsor domestic staff for the purpose of residency in the UAE, an employee must earn a minimum of AED 25,000 per month.

There are no statutory provisions governing matters such as the provision by employers of itemized payslips. These matters are governed by individual employment contracts. Employees are typically paid monthly.

The UAE operates an electronic Wage Protection System (WPS) that has been established in order to safeguard the timely payment of employees' salaries (primarily aimed at protecting blue-collar workers) and to ensure that payments made are accurate. Employers are required to pay salaries through the WPS, and these payments are registered and monitored against the employee list and registered wages for each employee. The WPS does not operate in freezones, with the exception of Jebel Ali Free Zone.

4. Sick leave and health insurance

Dubai

Sickness absence and pay under the Labour Law is 90 calendar days as follows: full pay for the first 15 days, half pay for the next 30 days, and no pay for the remaining 45 days. An employee on probation is not entitled to any paid sick leave.

An employer may legitimately terminate an employee's contract of employment, should they fail to resume their duties at the end of the sick leave entitlement, but not during it.

All employers in the emirate of Dubai must provide private medical health insurance to all employees.

DIFC

The Employment Law provides a maximum sick leave entitlement of 60 working days in any 12 month period, payable as follows: full pay for the first 10 working days, half pay for the next 20 working days, and no pay for the remaining 30 working days.

Employment may be terminated immediately in writing where an employee has taken in excess of an aggregate of 60 working days' sick leave in any twelve month period (except where the sick leave taken is on account of a disability).

Part time employees in the DIFC (i.e. those who work for less than five days a week) are entitled to sick leave on a pro-rated basis.

Employers in the DIFC are required to provide health insurance cover for their employees.

5. Parental leave

Dubai

Female employees are entitled to 60 calendar days' maternity leave with the first 45 days' at full pay, and the remaining 15 days at half pay.

Additionally, if the child has a health condition that requires a constant companion, the employee is entitled to a further 30 calendar days' of paid leave, followed by another 30 days of unpaid leave.

An employee is also entitled to an additional 45 calendar days leave without pay, if such absence is due to an illness occurring as a result of her pregnancy. During the 6 months following delivery, employees are entitled to two half hour nursing breaks each day during the working week.

Male and female employees are entitled to 5 working days of parental leave upon the birth of their child, which can be availed up until the child reaches 6 months of age. Female employees can avail the 5 days of parental leave in addition to their maternity leave entitlement.

DIFC

An employee is entitled to maternity leave of 65 working days provided the employee has been continuously employed with the employer for at least 12 months preceding the actual or expected week of childbirth. Any national holidays falling on a working day within the maternity leave period shall be additional to and extend the period of maternity leave.

The employee is entitled to maternity leave pay at the following rates:

- Normal daily wage for the first 33 working days; and
- 50 percent of the normal daily wage for the remaining 32 working days.

A male employee whose wife has a baby is entitled to five working days of paid paternity leave provided that the employee has been continuously employed with the employer for at least twelve months. Paternity leave should be taken within one month of the child's birth.

Employees are also entitled to maternity or paternity leave as above if they are adopting a child younger than five years old.

Part time employees in the DIFC (i.e. those who work for less than five days a week) are entitled to parental leave on a pro- rated basis.

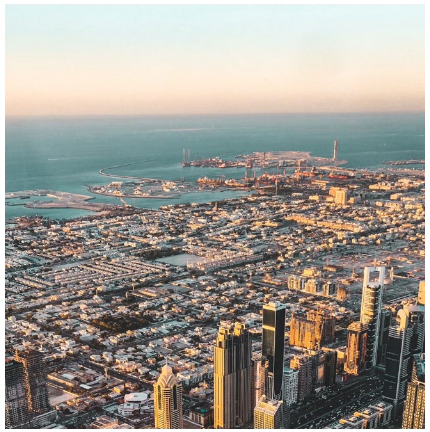
An employee is not entitled to receive payment in lieu of parental leave.

6. Other leave

Dubai

In addition, an employee is also entitled to:

- two calendar days' of annual leave per calendar month during the first year of service followed by 30 calendar days' of annual leave per year of service thereafter. Leave may not be rolled forward into a subsequent annual leave year without the consent of the employer. On termination, an employee is entitled to accrued but untaken annual leave calculated on their basic salary.
- Compassionate leave of five calendar days' leave in the event of the death of a spouse, and three calendar days' leave in the event of the death of the employee's parents, children, siblings, grandparents and grand children.
- Study leave of 10 working days per year where the employee is enrolled in a UAE educational instution to sit exams provided the employee has two years' prior service with their employer.



DIFC

- An employee is entitled to 20 working days' of annual leave per year of service. Five working days of leave may be carried forward into the subsequent annual leave year. On termination, an employee is entitled to a payment in lieu of their accrued but untaken leave calculated with respect to their daily wage.
- A Muslim employee who has completed at least one year of continuous employment is entitled to 21 calendar days of unpaid leave to perform pilgrimage once during the course of his service.
- Part time employees in the DIFC (i.e. those who work for less than five days a week) are entitled to annual leave and Haj leave on a pro-rated basis.

Employment Law in Dubai

7. Annual return ticket

Dubai

There is no requirement under the Labour Law to provide an annual flight home, however this is market practice and some free zones make this a mandatory requirement as part of their internal employment regulations. The employer may use their discretion to extend this entitlement to the employee's family if deemed appropriate.

DIFC

Likewise, the Employment Law does not require employers to provide an annual flight home, but it is customary to do so.

8. Termination

Dubai

With notice

An employment contract can be terminated in any of the following ways:

- Where the termination is mutually agreed
- Upon expiry of the contract
- Upon notice by one of the parties. Notice must be between 30 to 90 days, as contractually agreed
- Upon the death of the employee
- Where the employee has suffered a total permanent disability
- If the employee has been sentenced by a final judgement of imprisonment of three months or more
- For redundancy (as defined in the Labour Law)
- If the employee is unable to obtain or maintain their work permit for a reason outside of the employer's control.

Termination of an employee's employment may be deemed unlawful by a Labour Court where the employee files a complaint to a UAE authority or the Labour Court during his employment, and as a result, his employment is terminated by the employer. In such cases, the Labour Court may award an employee up to three months' total salary as compensation.

Without notice

There are limited grounds under which an employer may validly terminate an employee's services without notice. These exhaustive grounds are if the employee:

- Assumes a false identity or nationality, or produces fake documents or certificates
- Makes a mistake which causes the employer to suffer substantial material loss, provided that the employer informs the Ministry of Human Resources and Emiratisation (the "MOHRE") of the incident within seven working days of discovering it
- Has violated instructions for work or work place safety: provided that instructions were written and displayed in a prominent place and the employee was informed of them
- Fails to carry out his basic duties as provided in the employment contract and has continued to do so despite the employer conducting a written investigation resulting in the employee receiving two written warnings that his services will be terminated if he fails to rectify the situation
- Discloses a secret related to industrial or intellectual property of the employer, resulting in losses to the employer, missing an opportunity for the employer or gaining a personal benefit to the employee
- Is found under the influence of alcohol or drugs during working hours, or has commiutted an act contrary to public morals in the workplace
- Assaults (verbally or physically) his employer, manager or a colleagues during work, or any other form of assult punishable under UAE law
- Is absent from work, without a valid reason for more than 20 non- consecutive days in any year or for over seven consecutive days
- Illegally exploits his job to obtain personal results and gains
- Works for another employer without complying with the controls and proecdures established in this regard

DIFC

With notice

Subject to the right to terminate employment for cause (see further below), the notice required to be given by an employer or employee under the Employment Law to terminate a person's employment (where the person has been continuously employed for one month or more) shall not be less than (unless otherwise agreed by the employer and employee):

- seven days if the period of continuous employment is less than three months
- 30 days if the period of continuous employment is three months or more but less than five years
- 90 days if the period of continuous employment is five years or more

The parties may agree to longer notice periods but not shorter notice periods. Further the parties may not agree to a payment in lieu of notice prior to the termination (i.e. payment in lieu of notice may only be agreed upon at the time of termination of employment).

Without notice

The Employment Law adopts a similar principle as the Labour Law in respect of termination without notice, referred to as termination for 'cause'. Employment may be terminated for cause where the conduct of one party is such that a reasonable employer / employee would have terminated the employment in such circumstances. By contrast with the above exhaustive list in the Labour Law, the Employment Law adopts a principle of reasonableness in the response to the particular conduct. In addition, the Employment Law provides that gratuity must be payable when and employee is terminated for cause.

9. UAE national employees

Dubai

There are two regulations that set out the expectations and rules relating to the termination of a UAE national's employment.

The MOHRE issued a decree in 2018 that limits the circumstances in which a UAE nationals employment can be terminated by an employer by setting out specific grounds for termination and what constitutes a legally valoid reason.

If the MOHRE decides a termination is not based on a legally valid reason, it may seek to mediate between the parties with a view to amicably resolving the matter and/or suspend the issuance of new eork permits for the employer for up to six months.

In 2020, as a result of COVID-19, the MOHRE issued a circular in respect of a reorganization / termination of UAE nationals in the workforce. In such circumstances, an employer is required to:

- Notify the MOHRE of any reorganisation and refer the matter to a MOHRE committee; and
- Consult with the MOHRE committee (now made up of three MOHRE officials) in respect of proposed alternatives to avoid termination of UAE nationals.

The circular provides that it is not permitted to proceed with any termination of a UAE national before the MOHRE committee has considered the position and proposed any alternative solutions. Subject to the committee approving the exit, the employer is thereafter required to meet the criteria set out in the 2018 decree.

DIFC

Under the Employment Law, UAE national employees do not enjoy any specific enhanced protection against termination from employment.

10. End of service gratuity (expatriate employees)

Dubai

In the UAE, an employee who has completed at least one year of continuous service is entitled to an end of service gratuity payment on termination of employment, which is calculated with reference to the last basic salary (excludes any allowances) as follows:

- 21 calendar days' basic pay for each year of service for the first five years
- 30 calendar days' basic pay for each year of service above five years

The entitlement is subject to a cap of two years' wages.

Employers commonly divide an employee's total remuneration into basic salary and allowances. However, there is no legal obligation to break down salary this way. It is common practice to set basic salary at 60 percent of the total remuneration and in this way employers reduce their overall end of service gratuity liability.

Should the employer wish to provide a pension scheme to non-nationals, the employer must first obtain UAE Cabinet approval, following which, employees can be enrolled in the private pension scheme.

DIFC

With effect from 1 February 2020, all employees (other than qualifying UAE and GCC nationals and other exempted categories) must be registered under the DIFC Employee Workplace Savings (DEWS) Scheme or other qualifying scheme as approved by the DIFC (collectively the Scheme). The minimum benefits payable into the Scheme on a monthly basis are 5.83% of an employee's basic salary for that month (for the first five years of employment) and 8.33% of the employee's basic salary for that month (once the employee has at least five years of continuous employment). Employees may opt to make voluntary contributions into the Scheme in addition to the statutory contributions made by the employer, should they wish.

Where an employee has been in employment prior to 1 February 2020 (and subject to the employee having at least one full year of continuous service with their employer as at the termination of their employment), the employee may either:

- be paid out any gratuity (which they accrued in the period of employment prior to the implementation of the Scheme) on termination of their employment; or
- opt to have the accrued gratuity transferred into the Scheme.

For the purpose of making contributions into the Scheme and end of service gratuity calculations, basic salary should comprise at least 50 percent of the total salary.

11. Pension for UAE and GCC nationals

Dubai

Employers are legally obliged to contribute to a state pension for all eligible UAE and GCC national employees, and an end of service gratuity payment for non-eligible UAE and GCC national employees (and expatriate employees). There is no legal obligation to provide non-eligible UAE and GCC national employees with a private pension; however, as referred to above in certain circumstances, eligible employer maintained pension schemes may replace the obligation to pay end of service gratuity.

DIFC

The Employment Law requires an employer to enroll eligible UAE and GCC nationals to the state pension scheme in accordance with the applicable Federal legislation.

12. Repatriation ticket

Dubai

Where an employer terminates a contract of employment, or where it expires at the end of the fixed term, it should provide the employee with a repatriation ticket to the employee's home country, except where the employee has been validly terminated without notice. If the employee resigns, there is no obligation to provide the repatriation ticket unless the employee does not have the means to pay. There is also no requirement to provide repatriation if the employee takes up alternative employment in the UAE.

DIFC

The terms of the Personnel Sponsorship Agreement between the DIFC Authority (DIFCA) and the employer provide that unless an employee obtains a new residence and work permit within 30 days from the date of termination of the employment contract, the employer shall immediately apply to the DIFCA for cancellation of the residence and work permit and provide the employee with a repatriation ticket to his country of origin.

13. Emiratisation

Dubai

This is essentially a positive discrimination policy with financial incentives for employers to recruit UAE nationals in the private sector. The policy seeks to increase the number of UAE nationals in the private sector by providing recruitment targets for employers. The government offers lower transactions fees for processing entry permits, residency visas, and labour or ID cards for employers who meet those targets and who seek to maintain a diverse workforce.

The current rates of Emiratisation are set at a minimum of two per cent for all private sector employers (where a company has at least 50 employees), other than the banking and insurance sectors where there are higher rates applicable or based on the entity meeting certain target points, as determined by the UAE Central Bank (with the UAE Insurance Authority now having been merged with the UAE Central Bank) .

In 2019, the MOHRE introduced a program to promote Emiratisation in the private sector. When a company applies for a new work permit for certain specified job titles, it will be referred to the resumes of potential UAE national candidates. The company must review the resumes and/or interview any available UAE national candidates and may choose to hire one of the recommended UAE national candidates or can provide reasoning for not hiring the candidates. The authorities may also require the company to meet with UAE national candidates at an "Open Day" recruitment drive.

Recently, the MOHRE introduced 'NAFIS', a governmental federal program aimed at increasing the competitiveness of the Emirati human resources and empowering them to occupy jobs in the UAE private sector over the next five years. From January 2023, all private sector companies with more than 50 employees must comply with the Emiratisation quotas. Failure to do so will result in fines being imposed against the employer.

Emiratisation quotas are not applicable in the free zones.

DIFC

Emiratisation quotas are not applicable in the DIFC.

14. Immigration considerations

In most instances, the issuance of residency visas for expatriates in the UAE is linked to the employment of individuals by a UAE registered employer. The employer is responsible for procuring either a work permit from the MOHRE or a free zone identity card issued by the relevant free zone authority. Employers in the UAE are required to provide sponsorship to its employees for residency purposes, with the exception of persons sponsored by spouses or on dependant residency visas, or nationals of GCC states. Where an individual does not require sponsorship for visa purposes from their employer, the employer is still obliged to procure a work permit / identity card. In addition, it is compulsory for all employees to apply for an Emirates ID card as part of the residency visa process.

Employers are obliged, as part of the residency process, to issue standard form offer letters and employment contracts prescribed by the MOHRE or, in respect of free zones, a relevant free zone authority prescribed contract.

These contracts are required to be submitted to the relevant authority as a condition to obtaining a residency visa and/or a work permit/ identity card.

The residency visa process generally follows the following stages:

Filing of countersigned offer letter to the MOHRE (not required in respect of free zones);

- Filing of countersigned employment contract and application made to the MOHRE / free zone authority for 'entry permit' to allow the individual arrive in UAE;
- Security and background check undertaken on the individual. Certain nationalities are currently barred from obtaining new UAE residency visas;
- Entry by the individual into the UAE for employment purposes;
- Undergoing a medical examination which usually consists of a blood test and chest x-ray to primarily identify infectious diseases. The presence of certain infectious diseases will lead to the application for residency to be automatically rejected;
- Application for work permit/ identity card and Emirates ID card;
- Application for residency submitted to the immigration authorities; and
- Submission of application to have the residency visa stamped in the passport. Residency visas are valid for two years.

Residency visas do not always need to be sponsored by the employer, and an individual can be sponsored by other means, such as a golden or green visas (individual / private sponsorship), their spouse (dependant sponsorship), via their own company (investor visa) and so on. The visa process highlighted above is therefore subject to change in one of these circumstances.

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