

END OF SERVICE BENEFIT (EOSB) CALCULATION

The end of service benefit (EOSB) calculation is a key employment issue for employees and employers across the UAE, including our member companies. DMCC has prepared the following sample calculations for your guidance in the event of termination of limited and unlimited types of employment contracts. Whilst the samples below are based on the provisions of Federal Law No. 8 of 1980 (UAE Labour Law), there is no officially recognised formula for calculating EOSB entitlement; as such, these are DMCC's interpretation of the applicable law. In the event of a dispute between an employee and employer, a dispute resolution forum such as the Labour Court may interpret the relevant provisions differently. We would recommend that member companies seek independent legal advice in respect of any specific queries they may have in relation to the guidance provided below.

DMCC is aware of instances whereby the courts have taken into consideration commission and bonuses in certain specific cases when assessing EOSB entitlement. The particular circumstances may vary and DMCC is unable to advise in this regard.

DMCC's EMPLOYMENT MEDIATION SERVICES

DMCC offers mediation services to member companies and their employees in respect to their employment matters. DMCC's trained officers and mediators are available by appointment to mediate disputes that the employer/employee has been unable to resolve internally.

Mediation is a confidential process in which a neutral third party directs settlement discussions, but does not render judgment regarding any issue in dispute. A mediator holds meetings, defines issues, defuses emotions, and suggests possible ways to resolve a dispute. It is a nonbinding process and the goal is for the parties to reach an agreement with finality. The mediator will help the parties reach their own negotiated settlement.

Please click [here](#) to obtain further information about the employment mediation service of DMCC.

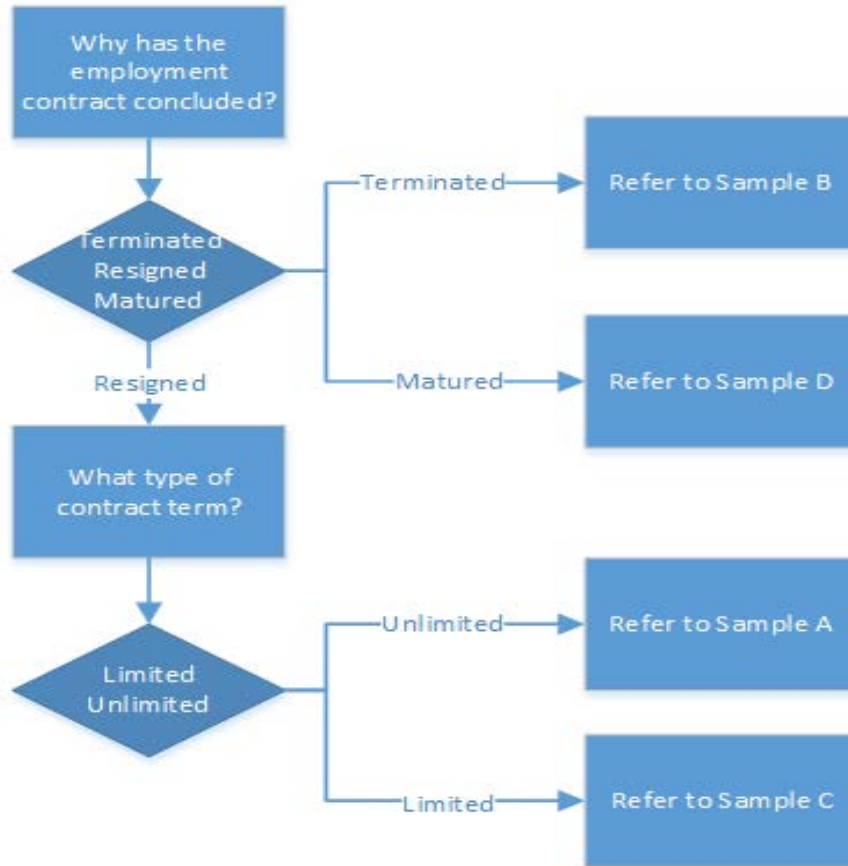
Disclaimer: The information and material provided in this document are for the purposes of general information and guidance only and are not intended to constitute legal or other professional advice on which reliance should be placed. Should you require legal advice in relation to any employment matter, DMCC recommends that you obtain specialist and independent legal advice. Although DMCC makes reasonable efforts to update all information on its website, we make no representations, warranties or guarantees, whether express or implied that the information and content are accurate, complete and up-to-date.

DECISION TABLE TO CALCULATE THE EOSB

	Limited Period Contract		Unlimited Period contract	
	Resignation	Termination	Resignation	Termination
EOSB	<ul style="list-style-type: none"> • No eligibility, if the service is less than 5 years. • If the service is more than 5 years, then; <ul style="list-style-type: none"> ○ 21 days' of pay for each year of service until the completion of 5th year. ○ 30 days' of pay for each additional year after the completion of 5th year. (It should be pro-rated for any uncompleted years) 	<ul style="list-style-type: none"> • 21 days' of pay for each year of service until the completion of 5th year provided the employee has at least completed 1 (one) year of service. • If the service is more than 5 years, then eligibility is; <ul style="list-style-type: none"> ○ 21 days' pay for each year of service until the completion of 5th year. ○ 30 days of pay for each additional year after the completion of 5th year. (It should be pro-rated for any uncompleted years) 	<ul style="list-style-type: none"> • Eligible to receive 1/3rd of the end of service ($1/3 * 21$), if service period is more than 1 year and less than 3 years. • Eligible to receive 2/3rd of the end of service ($2/3 * 21$), if the service period is more than 3 years and less than 5 years. • If the service is more than 5 years, then eligibility is; <ul style="list-style-type: none"> ○ 21 days' pay for each year of service until the completion of 5th year. ○ 30 days of pay for each additional year after the completion of 5th year. (It should be pro-rated for any uncompleted years) 	<ul style="list-style-type: none"> • 21 days' of pay for each year of service until the completion of 5th year provided the employee has at least completed 1 (one) year of service. • If the service is more than 5 years, then eligibility is ; <ul style="list-style-type: none"> ○ 21 days' pay for each year of service until the completion of 5th year. ○ 30 days of pay for each additional year after the completion of 5th year. (It should be pro-rated for any uncompleted years)

Maturity of a limited period contract: If, either the employer or the employee does not wish to renew the contract further at the time of maturity, the EOSB will be calculated on the basis of 21 days' pay for each year of service for the first 5 years and 30 days' pay for each year thereafter.

DECISION CHART



POINTS TO NOTE

The following assumptions are applicable to the EOSB calculations in the following pages:

- All figures shown are in AED.
- In the examples below, the final basic salary of the employee is AED 10,000/- per month.
- In order to be entitled to EOSB, an employee must have accrued at least 12 months' service at the date of termination of the employment contract.
- The total gratuity does not exceed the salary of two years.
- Periods of unpaid leave are not included when computing an employee's period of service.

RESIGNATION BY THE EMPLOYEE UNDER UNLIMITED CONTRACT - Sample A

Period of Employment	A - Last Basic Daily Salary	E - Annual End Of Service Benefit (AEOSB)	X - Final Amount
	B - Basic monthly salary <i>multiplied by</i> C - Months in year <i>divided by</i> D - Days in year	F - Days due <i>multiplied by</i> A - Last basic daily salary	Y - Resignation deduction factor <i>multiplied by</i> E - AEOSB <i>multiplied by</i> Z - Period worked
	$A = [B] * [C] / [D]$	$E = [F] * [A]$	$X = [Y] * [E] * [Z]$
More than 1 year, but less than 3 years (e.g. 1 year + 3 months or 1.25 years)	$= [10,000] * [12] / [365]$ $= 328.77$	$= [21] * [328.77]$ $= 6,904.17$	$= [1/3] * [6,904.17] * [1.25]$ $= 2,876.74$
More than 3 years, but less than 5 years (e.g. 4 years + 3 months or 4.25 years)	$= [10,000] * [12] / [365]$ $= 328.77$	$= [21] * [328.77]$ $= 6,904.17$	$= [2/3] * [6,904.17] * [4.25]$ $= 19,561.82$
More than 5 years (e.g. 7 years)	$= [10,000] * [12] / [365]$ $= 328.77$	$= [21] * [328.77]$ $= 6,904.17$	$= [5] * [6,904.17]$ $= 34,520.85$ <i>plus</i>
		$= [30] * [328.77]$ $= 9,863.10$	$= [2] * [9,863.10]$ $= 19,726.20$
			$= 54,247.05$

TERMINATION BY THE EMPLOYER UNDER UNLIMITED CONTRACT and LIMITED CONTRACT - Sample B

(Note: In the case of either an unlimited or limited term contract, there is no entitlement to EOSB where the employment is terminated by the employer for gross misconduct under Article 120 of the Labour Law, regardless of the length of service).

Period of Employment	A - Last Basic Daily Salary	E - Annual End Of Service Benefit (AEOSB)	X - Final Amount
	B - Basic monthly salary <i>multiplied by</i> C - Months in year <i>divided by</i> D - Days in year	F - Days due <i>multiplied by</i> A - Last basic daily salary	E - AEOSB <i>multiplied by</i> Z - Period worked
	$A = [B] * [C] / [D]$	$E = [F] * [A]$	$X = [E] * [Z]$
Less than 5 years (e.g. 4 years + 3months or 4.25 years)	$= [10,000] * [12] / [365]$ $= 328.77$	$= [21] * [328.77]$ $= 6,904.17$	$= [6904.17] * [4.25]$ $= 29,342.72$
More than 5 years (e.g. 7 years)	$= [10,000] * [12] / [365]$ $= 328.77$	$= [21] * [328.77]$ $= 6,904.17$	$= [6,904.17] * [5]$ $= 34,520.85$ <i>plus</i>
		$= [30] * [328.77]$ $= 9,863.10$	$= [9,863.10] * [2]$ $= 19,726.20$
			$= 54,247.05$

RESIGNATION BY THE EMPLOYEE UNDER LIMITED CONTRACT - Sample C

Period of Employment	A - Last Basic Daily Salary	E - Annual End Of Service Benefit (AEOSB)	X - Final Amount
	B - Basic monthly salary <i>multiplied by</i> C - Months in year <i>divided by</i> D - Days in year	F - Days due <i>multiplied by</i> A - Last basic daily salary	E - AEOSB <i>multiplied by</i> Z - Period worked
	$A = [B] * [C] / [D]$	$E = [F] * [A]$	$X = [E] * [Z]$
Less than 5 years	N/A	N/A	N/A
More than 5 years (e.g. 7 years)	$= [10,000] * [12] / [365]$ $= 328.77$	$= [21] * [328.77]$ $= 6,904.17$	$= [6,904.17] * [5]$ $= 34,520.85$ <i>plus</i>
		$= [30] * [328.77]$ $= 9,863.10$	$= [9,863.10] * [2]$ $= 19,726.20$
			$= 54,247.05$

NON-RENEWAL OF A LIMITED PERIOD CONTRACT AT ITS MATURITY - Sample D

Period of Employment	A - Last Basic Daily Salary	E - Annual End Of Service Benefit (AEOSB)	X - Final Amount
	B - Basic monthly salary <i>multiplied by</i> C - Months in year <i>divided by</i> D - Days in year	F - Days due <i>multiplied by</i> A - Last basic daily salary	E - AEOSB <i>multiplied by</i> Z - Period worked
	$A = [B] * [C] / [D]$	$E = [F] * [A]$	$X = [E] * [Z]$
Maturity of the contract which is a completion of one term of a limited period contract (e.g. 3 years)	$= [10,000] * [12] / [365]$ $= 328.77$	$= [21] * [328.77]$ $= 6,904.17$	$= [6,904.17] * [3]$ $= 20,712.51$
Maturity of the contract which is completion of two terms of a limited period contract (e.g. 6 years)	$= [10,000] * [12] / [365]$ $= 328.77$	$= [21] * [328.77]$ $= 6,904.17$	$= [6,904.17] * [5]$ $= 34,520.85$ Plus
		$= [30] * [328.77]$ $= 9,863.10$	$= [9,863.10] * [1]$ $= 9,863.10$
			$= 44,383.95$

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