

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 a limited term employment contract. Whilst the samples below are based on the provisions of Federal Law No. 33 of 2021 (**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.

FORMULA FOR CALCULATION

The basic formula for calculating EOSB for a full-time employee is as follows:

- 21 days' basic pay per year of service for the first 5 years' service; and
- 30 days' basic pay per year of service thereafter.

This basic formula now applies regardless of the circumstances of the employee's exit (including where an employee resigns and/or is terminated under Article 44 of the UAE Labour Law).

For employees not working on a full time basis (e.g. part time or job share) an alternative formula applies:

- EOSB should be calculated using the basic formula set out above. This creates the "**Full Time EOSB**" figure.
- The number of annual working hours as specified in the employee's contract should be divided by the number of annual working hours in a full time contract x 100. This will produce a ratio (the "**Ratio**").
- The Full Time EOSB should be multiplied by the Ratio to produce the EOSB entitlement.

POINTS TO NOTE

The following assumptions are applicable to the EOSB calculations on the following page:

- 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.
- An employee's EOSB must be prorated for part years worked.
- The total gratuity does not exceed two years total pay.
- Periods of unpaid leave are not included when computing an employee's period of service.

EXAMPLE CALCULATION – FULL TIME EMPLOYEE

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]
More than 1 year but 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

EXAMPLE CALCULATION – PART TIME EMPLOYEE

If the employee works less than full time hours, the calculation would need to be adjusted as follows.

We have assumed that:

- The employee's Full Time EOSB would be 54,247.05.
- Full time employee works 10,400 hours per year.
- This employee works 7,800 hours per year.

$$7,800 / 10,400 \times 100 = 75$$

$$54,247.05 \times 75\% = 40,685.29$$



For further information:

Please visit our DMCC Help Centre at <http://www.dmcc.ae/helpcentre>

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*