

Limited Term Contracts and Notice Periods Guide

References to the "Labour Law" are to Federal Law No. 33 of 2021, as amended.

1. Can I choose whether to offer a limited-term contract or an unlimited-term contract?

The Labour Law specifies that all employment contracts entered into on or after 2 February 2022 shall be for a limited term. However, upon agreement between the employee and employer, the term of the employment contract can be extended or renewed for similar or shorter periods on multiple occasions. In the case of extending or renewing the employment contract's term, the new term(s) shall be deemed as an extension(s) of the original term and shall be added to it when calculating the employee's continuous service.

2. Can I terminate a limited-term contract on notice?

Limited-term employment contracts can be terminated on notice during the course of the employment contract term provided:

- There is a legitimate reason for terminating the employment contract. The legitimate reason is not defined in the Labour Law but is likely to include poor performance or misconduct (and some limited redundancy reasons such as bankruptcy or insolvency); and
- The period of written notice of termination under the employment contract is provided by the party wishing to terminate the contract (which is a minimum of 30 days and a maximum of 90 days).

3. How else can a limited-term contract be terminated?

A limited-term contract can be terminated:

- At the expiry of the term;
- During the probationary period, subject to the following notice periods being given:

- Either party serving 14 days written notice of termination on the other party;
or
 - Where an employee wishes to leave to join another employer within the UAE, the employee must serve at least 30 days' notice. In such case, the new employer shall undertake to compensate the current employer for the costs of recruiting the employee (unless otherwise agreed);
- If the parties both mutually agree;
 - If the employee's work permit cannot be renewed for any reason beyond the employer's control; or
 - If the employee is terminated for gross misconduct in accordance with Article 44 of the Labour Law.

4. Is any compensation payable for the early termination of a limited-term contract?

If either party terminates the employment contract prior to the expiry of the term without giving the other party the required notice, except where the employee resigns for reasons listed under Article 45 of the Labour Law or the employer terminates for reasons listed under Article 44 of the Labour Law, the terminating party will owe the other party, as compensation in lieu of notice, an amount equal to the amount of the employee's salary for the notice period or the remaining part thereof.

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