

Prepared by Dubai Insurance Company.

## I SUMMARY

### Social Security

|                     |   |
|---------------------|---|
| Eligibility         | UAE nationals in private or public employment   |
| Retirement Age      | 60M/F for Emiratis and 65 for Non-Emiratis  |
| Contributions       | Contributions made by employers and employees, and government on a pay-as-you-go basis, based on monthly payroll. An employee in private employment contributes 5% of his salary and the employer matches with 12.5% of the employee's salary |
| Retirement Benefits | Retirement pension: percentage of final pensionable salary based on the number of completed years of service  |
| Disability Benefits | Lump sum amount only in the event of total disablement as a result of a work-related injury   |
| Death Benefits      | Lump sum amount plus the monthly pension to which the employee would have been entitled at retirement   |
| Medical Benefits    | UAE nationals and citizens of other GCC countries receive free inpatient and outpatient healthcare at government hospitals and clinics  |

## Private Benefit Plans

|                     |   |
|---------------------|---|
| Eligibility         | UAE nationals in private or public employment   |
| Retirement Age      | 60 M/F for Emiratis and 65 for Non-Emiratis   |
| Contributions       | In DC plans: 50:50 (usually 5% by employee and 5% by employer)  |
| Retirement Benefits | Lump sums are customary   |
| Death Benefits      | Usually lump sum amounts (fixed sum assured) or as a multiple of earnings, for example 24 to 36 months' salary. Pensions are not customary<br>However, if the employee dies as a result of a work related accident, the Employer must pay 24 months of basic salary provided employees' compensation package shall include basic salary of not less than AED 18,000 |
| Disability Benefits | Benefits in case of total and permanent disability are paid in the form of lump sums. Temporary total disability payments are restricted to periods ranging from 52 weeks to 104 weeks, and temporary partial disability is often restricted to 26 weeks  |
| Medical Benefits    | Compulsory private medical insurance for all non-UAE national workers resident in Abu Dhabi and Dubai   |
| Vesting             | Flexible  |

## Taxation

|               |  |
|---------------|--|
| Contributions | For employees: No tax on contributions<br>For employers: Employer social security contributions and group health premiums are deductible from the profits tax computation in those cases where corporation tax is charged as a percentage of profits. It is not known whether group savings plan premiums or group life premiums paid are automatically tax deductible |
| Benefits      | None   |

## II INTRODUCTION

### Country Statistics

|                                    |   |                  |
|------------------------------------|---|------------------|
| Population/<br>growth rate         | 5,628,805 (July 2014 est.) /<br>2.71% (2014 est.) |                  |
| Age structure                      |   |                  |
| 0 - 14 years                       | 20.7%   |                  |
| 15 - 24 years                      | 13.7%   |                  |
| 25 - 54 years                      | 61.5%   |                  |
| 55 - 64 years                      | 3.1%  |                  |
| 65 years and over                  | 1% (2014 est.)                                    |                  |
| GDP                                | USD 269.8 billion (2013 est.)                     |                  |
| Real growth rate                   | 4% (2013 est.)                                    |                  |
| Agriculture                        | 0.6%  |                  |
| Industry                           | 61.1%   |                  |
| Services                           | 38.2% (2013 est.)                                 |                  |
| Unemployment rate                  | 2.4% (2001)                                       |                  |
| Inflation rate                     | 1.3% (2013 est.)                                  |                  |
| Annual gross salary*               | in AED  |                  |
| Labourer*                          | General: 78,932                                   | Skilled: 160,859 |
| Professionals*                     | Junior: 212,236                                   | Senior: 307,763  |
| Management*                        | Lower: 446,284                                    | Upper: 647,154   |
| Legal minimum wage                 | None  |                  |
| Exchange rate on February 27, 2015 | 1 AED = 2723 USD                                  |                  |
| Currency: UAE Dirham               | 1 AED = 0.2430 EUR                                |                  |

\*Source: Mercer's International Geographic Salary Differentials, Edition 2015

### Legislation and Insurance Market Update in Brief

#### *Compulsory health insurance in Dubai*

A new compulsory health insurance scheme in Dubai is being rolled out in three phases starting since 2014, with cover becoming mandatory for all residents by the end of June 2016. Employers have to pay a minimum annual premium of AED 500 (USD 136) and provide a minimum cover of AED 150,000 (USD 40,834) per member per annum under the scheme. The 3 phases are:

- Phase one of the scheme requires companies with 1,000 or more employees to provide their workers with health insurance by October 2014.
- In phase two, companies with 100 to 999 employees will have until the end of July 2015 to comply.
- Companies with fewer than 100 workers have until the end of June 2016 to provide coverage.

According to the law, companies are only required to cover the cost of health insurance for their employees and not the employees' dependents. The cost of health coverage for the workers' dependents will be borne by the worker.

The government will be responsible for providing health insurance for Emiratis.

Employers who fail to provide health insurance to their workers face hefty fines between AED 500 and AED 150,000. Repeated breaches carry a maximum fine of AED 500,000

The Dubai plan is similar to that in Abu Dhabi, the only other Emirate to have compulsory health insurance with a basic package and the option for top-up, and will cover emergency services, access to a primary care physician, referral to specialists, tests and investigations, surgical procedures and maternity care.

### *Occupational pension scheme for expatriate employees in Abu Dhabi*

It is reported that the National Bank of Abu Dhabi recently launched an occupational pension scheme for expatriate employees of local and multinational companies in the United Arab Emirates. The scheme is voluntary in nature but may appeal to employers seeking to improve recruitment and employee retention.

Source: Axco report

## III SOCIAL SECURITY

### Background Information

The Pension and Social Security Federal Law No 7/1999 governs the social security in the UAE, and covers UAE nationals only. The General Pensions and Social Security Authority (GPSSA) is responsible for the provision of pensions and social insurance benefits.

UAE nationals are entitled to old age pensions, death in service benefits, work injury related benefits and disability pensions. All public sector employees and all employees under a contract of employment in the private sector, restricted to UAE nationals, are covered. Expatriates - who make up the majority of the working population - do not receive social security benefits.

UAE nationals and citizens of other GCC countries receive free inpatient and outpatient healthcare at government hospitals and clinics. The Ministry of Health is the responsible body for operating the state healthcare system.

### Eligibility

Applicants must be UAE nationals in private or public employment.

### Contributions

Social security is financed from contributions made by employers and employees on a pay-as-you-go basis, based on the monthly payroll. Employers are responsible for deducting contributions from employees and paying these plus the employers' contributions to the GPSSA. The following rates as percentages of basic salary plus allowances apply:

| Sector  | Employer | Employee | Government | Total |
|---------|----------|----------|------------|-------|
| Private | 12.5%    | 5%       | 2.5%       | 20%   |
| Public  | 15%      | 5%       | 6%         | 26%   |

Source: Axco Reports ([www.axcoinfo.com](http://www.axcoinfo.com))

Contributions are calculated based on the basic monetary salary, plus monthly allowances, including cost of living, child, social and accommodation allowances.

For the private sector a minimum wage of AED 1,000 per month is assumed with a maximum of AED 50,000 per month.

### Retirement Benefits

#### *Retirement Age*

60 M/F for Emiratis and 65 for Non-Emiratis

#### *Qualifying Conditions*

End of the service of the employed person (insured) on reaching retirement age, provided that the contribution period is at least 15 years.

## Benefits

Pensionable salary is calculated on the basic monetary salary, plus monthly allowances (as defined in an employees' labour contract).

The salary taken into consideration for the purposes of computing the pension salary is the last drawn salary in January each year. In the case of the private sector: employees have a pension account salary that is calculated based on the average subscription salary for the last five years or the full period if it is less than five years.

Under the 1999 social security law the retirement benefit is a percentage of final pensionable salary based on the number of completed years of service in accordance with the following table:

| Years of Service | Percentage of Final Pensionable Salary |
|------------------|--|
| 15               | 60%                                    |
| 20               | 70%                                    |
| 25               | 80%                                    |
| 30               | 90%                                    |
| 35               | 100%                                   |

When an employee's total service exceeds 35 years there is an additional entitlement to a one-off lump sum payment equal to three months' base salary for every additional year of service.

When qualifying conditions are not met, a gratuity benefit is calculated on the basis of the last salary such as follows:

| Period of Service                 | Gratuity Entitlement for each Year of Service |
|-----------------------------------|---|
| For each of the first 5 years     | One and half month salary                     |
| For each of the following 5 years | Two months' salary                            |
| For each year above 10 years      | Three months' salary                          |

There is no prescribed indexation of benefits.

## Disability Benefits

Please refer to Work Injury Benefits section below.

## Death Benefits

### Qualifying Conditions

Legal heirs are entitled to benefits.

### Benefits

Under the 1999 social security plan the retirement pension ceases upon the death of the pensioner unless there are dependants entitled to receive benefits. In such a case the right to receive the pension shall then be transferred according to a scale set out by law.

If an employee dies from natural causes before normal retirement the heirs receive a lump sum amount of AED 60,000 plus the monthly pension to which the deceased would have been entitled.

## Sickness Benefits

Sickness income benefit is administered under the Federal Labour Law No 12/1986. Any short-term sickness payments are funded by the employer.

## **Medical/Health Benefits**

UAE nationals and citizens of other GCC countries receive free inpatient and outpatient healthcare at government hospitals and clinics.

## **Work Injury Benefits**

Workers' compensation is governed by Federal Labour Law No 12/1986 (as an extension to Federal Law No 8/1980). Although employers are obliged by law to compensate employees for work-related injury and disease, insurance is not compulsory but is usual.

Since the introduction of the Pension and Social Security Federal Law No 7/1999, UAE nationals have been covered by a separate social security scheme which makes provision for occupational injuries and disease. The scheme permits employees to bring civil actions for damages when negligence by the employer or a third party can be proved.

Workers' compensation applies to all expatriate staff and private sector employees working in the UAE but not to families of employers, domestic staff, agricultural employees (other than those involved in processing or maintenance of machinery), part-time or short-term (less than six months) employees, employees of companies with less than five employees, or those employed by or on federal or local government projects. Public sector employees and members of the armed forces and police are covered by a separate plan.

If an employee dies as a result of a work-related injury (including disease) the heirs are entitled to a death grant in respect of burial expenses. In the event of total disablement as a result of a work-related injury (including disease) an employee is entitled to lump sum compensation amounting to AED 75,000; reduced in accordance with a scale set out in the labour law depending on the degree of disability.

Further claims for additional compensation from the employer may be possible where negligence is proven in court.

## **Unemployment Benefits**

Unemployment benefits are not available

## **Other Benefits**

### *Maternity Benefits*

Maternity benefits are provided under a law revising the text of Article 55 approved by the Federal National Council (FNC) in February 1999. All female employees are entitled to 45 days paid maternity leave (in respect of their first five children); the amount payable is 100% of salary for employees that have completed one continuous year of service reducing to 50% for less than one year of continuous service.

## **Tax**

### **Taxation**

There is no personal income tax in the UAE and there is no federal tax legislation on companies; each emirate has its own tax.

Employer social security contributions are deductible from the profits tax computation in those cases where corporation tax is charged as a percentage of profits.

### **Other Information**

#### *Reciprocal social security agreements*

Yemen.



## IV PRIVATE BENEFIT PLANS

### Background Information

There is no legislation on privately funded pension arrangements in the UAE.

Plans available in the private sector are group or individual savings policies providing a simple retirement savings mechanism which provides accrued investment earnings, vesting and flexible retirement options.

Insurable employee benefits in the UAE consist of group life (with riders), group personal accident and group private medical insurance. Group life and group personal accident insurance is often arranged to complement workers' compensation insurance, to bridge any gap between workmen's compensation and the obligations imposed on employers by the Labour Law/1986. Employee benefits are usually offered by employers to improve employment conditions and to retain talents.

### Eligibility

Membership is voluntary, and open to all full time employees (group schemes).

### Contributions

It is common for employers and employees to contribute an equal amount. In general the plans in force have defined contributions of 5% from employees and a further 5% from the employer.

### Retirement Benefits

#### *Retirement Age*

Normally at age 60 M/F for Emiratis and 65 for Non-Emiratis

#### *Benefits*

Private plans are on a defined contribution basis. Benefits are usually lump sums.

Plans can be designed so that the employer's portion is used to fund end-of-service indemnity payments if required by the employer. They can also be designed to allow for ongoing benefit payments that are required due to regular employee terminations.

Some employers opt to extend plans by also offering employees the opportunity to invest in the scheme, providing them with a savings opportunity. The principal objective of most pension plans is to accumulate funds for retirement, which are paid in cash when the member either retires or leaves the company.

In some cases members can choose to transfer their balances upon termination of employment or retirement into individual pension plans, enabling participants to maintain their accounts after leaving their employers.

## *Vesting*

There are flexible rules. In general, members are allowed to take their accumulated amount if they leave employment early, but payment of the company's contributions will depend upon the circumstances surrounding the member's departure and the vesting rights written into the pension plan.

## **Disability Benefits**

Benefits in the event of total and permanent disability are paid in the form of lump sums.

Temporary total disability payments are restricted to periods ranging from 52 weeks to 104 weeks, and temporary partial disability is often restricted to 26 weeks.

## **Death Benefits**

Cover is arranged on a level term basis with riders such as accidental death and disablement plus medical expenses resulting from an accident and repatriation. A minimum of 10 people is usually required for a group cover.

Benefits are usually lump sum amounts (fixed sum assured) or as a multiple of earnings, for example 24 to 36 months' salary. Pensions are not customary.

Employers usually arrange cover to ensure their legal liability under the Federal Labour Law No 12/1986 is met, which requires them to pay a minimum of AED 18,000 and a maximum of AED 75,000 in the event of death.

## **Sickness Benefits**

Sickness income benefit is administered under the Federal Labour Law No 12/1986. Any short-term sickness payments are funded by the employer. Employees are entitled to sick leave wages in full for the first 15 days and half-wage for the next 30 days. Payment beyond 45 days is at the discretion of the employer. If the employee's illness, however, is a direct consequence of their misconduct they are not entitled to any wages during the sick leave.

## **Medical/Health Benefits**

By Law No 23/2005 compulsory private medical insurance for all non-UAE national workers resident in Abu Dhabi was introduced on June 1, 2006, and has been operational since January 1, 2007. The compulsory scheme includes the following treatments:

- Medical examination, treatment and primary healthcare provided in clinics and medical centres by general practitioners and specialist doctors
- Laboratory tests and x-rays
- In-patient stay and hospital treatment
- Regular dental and gum treatment excluding orthodontics and dentures
- Medications required to treat a case
- Accommodation charges for one escort in critical cases

Since January 1, 2014, also a compulsory private medical insurance for all non-UAE national workers in Dubai is compulsory. Details are shown under Section II above.

## **Work Injury Benefits**

Please refer to section Work Injury Benefits under III Social Security.

## Other Benefits

### *EOSB*

End-of-service benefit (EOSB) is regulated in the Federal Labour Law No 12/1986, and paid in the event of termination, where a minimum notice period of 30 days is required. Benefits are based upon the type of contract in place and period of employment:

- If limited contract of employment: 3 months' salary or unexpired period of contract, whichever is greater.
- Unlimited contract
  - A payment of 21 days' salary is made for each of the first 5 years of service provided an employee has completed 1 year of service.
  - Thereafter 30 days' salary is payable for each additional year of service, subject to a maximum of 2 years of salary.

Where an employee resigns after completing at least one year but less than three years' service they are entitled to one-third of the indemnity. If three years but less than five years' service have been completed, entitlement is two-thirds of the indemnity. If more than five years' service have been completed, entitlement is to full indemnity.

## Taxation

There is no personal income tax in the UAE and there is no federal tax legislation on companies; each emirate has its own tax.

It is not known whether group savings plans premiums or group life premiums paid are automatically tax deductible in those cases where corporation tax is charged as a percentage of profits, rather than as a flat rate, since conditions may vary according to individual concession agreement contracts. Group medical premiums are automatically tax deductible.

### *Double Taxation Agreements*

Algeria, Armenia, Austria, Azerbaijan, Bangladesh, Belarus, Belgium, Bosnia and Herzegovina, Brunei Darussalam, Bulgaria, Canada, China, Cyprus, the Czech Republic, Egypt, Estonia, Fiji, Finland, France, Georgia, Germany, Greece, Guinea, Hungary, India, Indonesia, Ireland, Italy, Japan, Kazakhstan, Kenya, Korea (Republic), Latvia, Lebanon, Libya, Lithuania, Luxembourg, Malaysia, Malta, Mauritius, Mexico, Mongolia, Montenegro, Morocco, Mozambique, the Netherlands, New Zealand, Pakistan, Panama, the Philippines, Poland, Portugal, Romania, Serbia, the Seychelles, Singapore, Slovenia, Spain, Sri Lanka, Sudan, Switzerland, Syria, Tajikistan, Thailand, Tunisia, Turkey, Turkmenistan, Ukraine, Uzbekistan, Venezuela, Vietnam and Yemen.

## Other Information

None.