Work Permit Cancellation and Employment Termination in the UAE: Key Compliance Risks Employers Must Know

Managing work permit cancellation and employment termination under [UAE Labour Law] is a critical compliance issue that many employers overlook. Misunderstanding the distinction between a work permit and an employment contract can expose companies to financial penalties, enforcement risks, and legal disputes.

Federal Decree-Law No. 33 of 2021 (the UAE Labour Law) governs employment relationships in the UAE, yet a common misconception persists: assuming that cancelling a work permit automatically ends the employment contract. This blog explains why this is incorrect and how employers can ensure full compliance.

What is a Work Permit under UAE Labour Law?

A work permit is an administrative authorisation issued by the Ministry of Human Resources and Emiratisation (MoHRE), allowing a person to legally work in the UAE.

It is distinct from the employment contract, which is the legal agreement that governs salary, benefits, and job responsibilities. Cancelling a work permit does not automatically terminate the employment contract, and failure to properly terminate the contract can create serious legal exposure.

Why Distinguishing Work Permit and Employment Contract Matters

Employers often assume that non-renewal or cancellation of a work permit ends the employment relationship. However, under Article 42 of the UAE Labour Law, termination of the employment contract must follow legal procedures. Until the contract is lawfully terminated, employer obligations continue, even if the work permit has been cancelled.

This distinction is critical to avoid enforcement action and potential salary liabilities.

Enforcement Risks under Article 54

MoHRE has significant powers under Article 54 of the UAE Labour Law, including:

Issuing binding decisions for disputes under Dh50,000

Requiring continued salary payments for up to two months during disputes

Enforcing decisions like a writ of execution

If an employer cancels a work permit but fails to terminate the employment contract properly, they may face immediate financial exposure.

The Fourteen-Day Settlement Rule

Article 53 of the UAE Labour Law requires all end-of-service payments and employee entitlements to be paid within 14 days of contract termination. Delaying settlements pending visa or permit processing can trigger:

Labour disputes

Enforcement actions under Article 54

Unnecessary financial and legal exposure

Employers must align contract termination with settlement obligations to stay compliant.

Penalties for Fictitious or Unauthorised Employment

Employers maintaining active work permits without actual employment risk Article 60 penalties, which include:

Fines from Dh100,000 to Dh1,000,000 per worker

Total fines capped at Dh10 million

Mandatory return of government incentives obtained through unauthorised employment

This reinforces the need for accurate record-keeping and lawful termination processes.

Limitation Period for Employment Claims

Any claim under the UAE Labour Law must be filed within two years from the end of the employment relationship. Misalignment between work permit cancellation and lawful contract termination can create latent legal risks, leaving employers vulnerable to unexpected claims

Conclusion

The gap between work permit cancellation and employment contract termination is a material compliance risk under UAE Labour Law. Employers must:

Treat permit cancellation and contract termination as separate legal processes

Ensure salary continuation obligations are met during disputes

Avoid fictitious employment penalties

Comply with the 14-day settlement rule

Proper alignment is no longer optional; it is a legal necessity for UAE employers.

For more, visit : https://www.kadenboriss.com/blog/work-permit-cancellation-employment-termination-uae-compliance-risks