

United Arab Emirates

Updates on the  
Social Security  
Scheme for  
Emirates  
employees



## In brief

On 2 October 2023 (the “Effective Date”), UAE Federal Decree Law No. 57 of 2023 (the “2023 Pensions Law”) was published and came into effect. The 2023 Pensions Law is the most significant change to the pensions landscape since the UAE Federal Law No. 7 of 1999 as amended (the “1999 Pensions Law”) was first published.

The decree has announced reformatations to the contribution scheme with 6 key provisions:

1. Increase in monthly contribution rates ( New scheme);
2. Increase in pensionable salary cap;
3. Definition of service periods;
4. Retirement guidelines and exceptions
5. Accuracy of data submitted to authorities
6. Calculations and Payments of contributions amounts due to GPSSA.

## In detail

### ***1.New Scheme rates and applicable salary details;***

In accordance with the 2023 Pensions Law, contributions should be made on a monthly basis to the GPSSA and calculated with regard to the employee’s full salary inclusive of any incentive payments (for example, bonuses or commission). The respective contributions are as follows:

- a) Employer: 15% OR 12.5% - Increase from 12.5% where the insured applicable salary is AED 20,000 or more.
- b) Employee: 11% - Increase from 7.5%
- c) Government: 2.5% - New addition in cases where the monthly applicable salary is less than AED 20,000, this is borne by the government as a form of support and motivation for employers to hire Emiratis.

The total new contribution therefore is 26% where the monthly salary is AED 20,000 or more and 23.5% in case the salary is lower, the 2.5% difference will be borne by the Government.

### ***2. Pensionable Cap***

The new law has increased the maximum salary threshold to which the pension rates can be applied to for the below sectors;

- a) Public (Government) sector employees, salary cap has increased to AED 100,000 (prev. AED 50,000)
- b) Private Sector: salary cap has increased to AED 70,000 (prev. AED 50,000)

***The new law aims to improve the policies of the GPSSA and its work system, to ensure the efficiency and sustainability of the financial resources of pensions, and to honor the Authority’s future commitments.***

~ GPSSA Publication



### ***3. Elaboration on eligible service periods***

In accordance with the provisions of the new Decree Law, the insured employee is authorized to consolidate previous periods of service, for any employer to whom this Decree Law is applied, to their total pension. The insured can also consolidate the period of service prior to acquiring the nationality of the UAE, and the periods of prior service in any entity approved by the UAE Cabinet at the suggestion of the Authority's Board of Directors.

The 2023 Pensions Law provides that all contributions (employer, employee and government) should continue to be made during periods of leave, even where that leave period is unpaid (for example, where an individual takes more than 45 calendar days of sick leave, any further sick leave is taken on an unpaid basis). Contributions should also continue to be made during periods of secondment and study leave. However, where an individual is suspended without pay, has agreed a period of unpaid leave with their employer, or is otherwise not entitled to salary, contributions can be withheld. This provision also applies to those individuals governed by the 1999 Pensions Law.

Notwithstanding this, for those individuals subject to the 2023 Pensions Law, where an individual takes a period of unpaid leave for either study leave or childcare (female employees only), they may request that the contributions continue throughout the period of leave, provided that the individual pays all contributions due during that period.

### ***4. Retirement guidelines and exceptions***

The minimum age for the insured person to be entitled for a retirement pension is 55 years, with a minimum subscription period of 30 years. In support of the family's vital role in society, the new Law grants working mothers' more flexibility and benefits. It stipulates that the working mother can apply for retirement pension entitlement in younger age and shorter subscription period. She is also authorized to maintain her optional subscription if she has chosen to take leave to care for her children, in accordance with the terms and conditions. The new Law authorizes the insurer to benefit from optional subscription in case they requested an unpaid leave to pursue postgraduate study. The new law allows the insured to request the purchase of a nominal period of adjoining to be added to their actual service periods provided that they have worked actual period of service of at least (25) years when submitting the purchase request, or a period of (15) years if they have reached the age of (60) years. The period required to be purchased should not exceed (5) years for both men and women.

Social Security Rates	Employee Contribution – 11% Employer Contribution - 15% <b>OR</b> 12.50% Government Support - 2.5%
Basis of Social Security Contributions	Average of last six years (or all) salaries applicable for social security payments.
Salary and Contribution Threshold	Minimum: AED 3,000 per month Maximum: AED 70,000 per month in private sector Maximum: AED 100,000 per month in public sector
Start and end of contributions	Full month in the joining month. No contributions due in the termination / resignation month.



## Keynote

**The employer will not bear any additional amounts as a result of a delay in paying the contribution differences for the three months until December 31, 2023.**

### **5. Accuracy of data submitted to authorities**

The employer is committed to accuracy in all the statements, data or documents submitted, including details of the insured's salaries and all the necessary documents for the purpose of calculating the arranged contributions in accordance with the provisions of this legal decree, since this will affect balance statements created at a later stage by the General Pension and Social Security Authority.

### **6. Calculations and Payments of contributions amounts due to GPSSA.**

To unify general rules between government and private sectors, the pension calculation mechanism is determined based on the average contribution account salary of the last six (6) years of subscription period (or, if less, the entire contribution period) for employees of both government sector and private sector

The employer in the private sector is mandated to pay the monthly contribution salary on behalf of the entity and the insured, in the following ways:

- a) For existing employees, continuing to pay contributions for the months of October, November and December 2023 at the current rates (20%), provided that the difference is paid according to the new rates on January 1, 2024.
- b) For new employees effective 01 October 2023, pay monthly contributions at a rate of (26% OR 23.5%) in accordance to the new Law No. (57) of 2023 in full, starting from the date the insured joins work in October 2023, regardless of the date of joining,



## How PwC can help:

### ***Our PwC Payroll team is here to help:***

1. Maintain records of social security contributions due to the employees at month end and reconcile with any payments made towards the fund.
  2. Calculate retroactive dues based on the new law and its provisions for all Emirati employees and the impact they would have on payroll.
  3. Prepare UAEFTS payment files as per banking standards to ensure the new contributions are being made appropriately and are reflected accurately by GPSSA.
  4. Enable correct entity and employee registrations and timely payments in line with the deadlines applicable by the Authority.
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# The takeaway

The updates on the 2023 Pensions law in the UAE aims to promote the hiring of Emirati nationals and to set detailed guidelines on how companies are to implement the new contribution rates in order to comply with legal regulations.

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## Let's talk

For a discussion on the new Executive Regulation and if it might affect your business, please contact:

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If you wish to discuss the above, please feel free to reach out to **Farida Faddoul** directly.

# Thank you