

## inBrief

**Employment Claims under the New Civil Code: Understanding Article 865 and its Relationship with the Employment Law**

By Chatura Randeniya, Nazim Hashim and Elmukashfi Mohamed | 23 June 2026

The new Civil Transactions Act of 2025 (“the **New Code**”), which came into force on 01 June 2026, introduces a new provision governing limitation period for certain employment-related claims. Article 865 establishes a two-year limitation period for claims arising from employment contracts, while also creating a special rule for commission, profit-sharing, and revenue-based entitlements. The jurisprudence of the UAE Courts of Cassation has consistently established the principle that the special rule prevails over and restricts the application of the general rule. Against this background, an important legal question arises concerning the relationship between Article 865 of the New Code and Article 54 (9) of the Federal Decree by Law No. (33) of 2021 Regulating Labor Relations (“the **Employment Law**”), particularly as both provisions govern limitation periods applicable to employment claims while adopting different approaches regarding the commencement of such periods. This inBrief examines the interaction between the two provisions and considers whether Article 865 merely supplements the Employment Law or may affect its operation in practice.

**Article 54 (9) of the Employment Law: Expanding Judicial Protection for Employees**

Article 54 (9) of the Employment Law provides that:

“The case for any rights entitled under the provisions of this Law by Decree shall not be heard after the lapse of two years as of the date of work relation termination”.

This provision establishes a clear limitation period applicable to employment claims arising under the Employment Law. The wording of the article indicates that all rights arising from the employment relationship must be judicially claimed within a maximum period of two years from the termination of the employment relationship.

The significance of this provision becomes more apparent when compared with the position under the previous Employment Law, which provided for a limitation period of one year from the date on which the right became due.

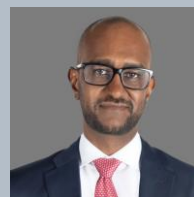
The former legislative approach created substantial practical difficulties for employees. In many employment relationships, particularly where there exists economic dependency or imbalance in bargaining power, employees may hesitate to initiate claims against their employers while still employed.

It appears that Article 54 (9) was intentionally designed to remedy this imbalance and strengthen employee protection. By linking the commencement of the limitation period to the termination of the employment relationship rather than the accrual of the right itself, the legislature effectively ensured that employees are granted a meaningful opportunity to pursue their claims without fear of

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jeopardizing their employment status during the subsistence of the contractual relationship.

## **Article 865 of the New Code: A Distinct Approach to Variable Financial Entitlements**

Article 865 (1) of the New Code provides that:

“Actions arising from an employment contract are not heard after the lapse of two years from the date of termination of the employment relationship, except in relation to commission, profit sharing, and percentages of total revenue, in which the period does not commence except from the time the employer delivers to the employee a detailed statement of the final financial entitlements”.

At first glance, the article appears broadly consistent with Article 54 (9) of the Employment Law, as both provisions establish a two-year limitation period commencing from the termination of the employment relationship.

However, Article 865 makes an important distinction between ordinary employment rights and a specific category of financial entitlements, namely, commissions, profit sharing arrangements, and agreements to share percentages of total revenue.

With respect to these categories, the two-year limitation period does not commence upon termination of the employment relationship. Instead, it begins only when the employer delivers to the employee a detailed statement of the final financial entitlements.

This distinction appears to recognise the practical complexity associated with calculating variable compensation schemes. Unlike fixed salaries or clearly quantified benefits, commission structures and profit-sharing arrangements frequently depend upon internal accounting records, financial statements, sales calculations, or revenue assessments that remain within the exclusive control of the employer. In many instances, employees may be unable to ascertain the true value of their entitlements without access to detailed financial disclosures from the employer.

In practical terms, the provision enhances an employee’s ability to pursue claims relating to performance-based compensation where the relevant financial information remains within the employer’s control.

## **The Applicability of Article 865 of the New Code: Supplementing or Contradicting the Employment Law?**

While the Employment Law is the special legislation governing employment relationships and generally prevails over the New Code as a general law, Article 865 may operate as a supplementary protection for employees rather than a conflicting rule.

Article 865 introduces a specific limitation rule for commission, profit-sharing, and revenue-based entitlements where calculation depends on information controlled by the employer. In practice, because employers often provide final financial statements after termination, applying Article 865 may extend the employee’s ability to claim beyond the ordinary two-year period and would therefore align with the protective purpose of labour legislation.

However, if the employer provides the financial statement before termination, a literal application of Article 865 could cause the limitation period to begin earlier than the period provided under Article 54(9), potentially reducing employee protection.



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Accordingly, while the Employment Law remains the primary framework, Article 865 may supplement it where it provides greater protection to employees. The extent of its interaction with Article 54(9) will ultimately depend on judicial interpretation. ■

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