



FREELANCE VS EMPLOYMENT IN THE UAE: THE LEGAL DIFFERENCE

Freelance work has become increasingly popular in the UAE, offering flexibility for individuals and efficiency for businesses seeking specialised skills. However, what many overlook is that there are important legal distinctions between being an employee and being a freelancer. A contract labelled as “freelance” does not automatically make it so – if the terms resemble employment, UAE law may treat it as such.

Understanding these differences is essential. Misclassification can create legal and financial risks, from unexpected liabilities to freelancers claiming employment benefits that companies never intended to provide.

A. KEY DIFFERENCES

While both employees and freelancers contribute valuable work, the UAE legal framework draws clear distinctions between the two:

- Employment Relationship: Employees must hold a valid UAE employment visa and labour contract registered with the Ministry of Human Resources and Emiratisation (MOHRE) or a free zone authority. They are entitled to statutory benefits such as annual leave, sick leave and end-of-service gratuity

- Freelance Relationship: Freelancers operate under a freelance permit (issued by certain free zones). They are considered independent service providers, not part of the company's workforce. They are paid per project or assignment and are responsible for their own visa, taxes and benefits.
- Control and Integration: Employees are subject to company policies, fixed working hours and direct supervision. Freelancers retain autonomy over how and when they deliver services, without being integrated into the company's organisational structure.

B. RISKS OF MISSCLASSIFICATION

If a company engages an individual on a "freelance" contract but treats them in practice as an employee (with fixed hours, exclusive service, ongoing integration into the business), the law may recognise the relationship as employment.

The consequences can be significant. The individual could claim employee rights such as end-of-service gratuity, paid leave or compensation for unfair termination. Companies may face penalties for failing to register the worker correctly, along with exposure to backdated benefits and contributions. Beyond the financial burden, such disputes can harm business reputation and create unnecessary legal battles.

C. BEST PRACTICES

To avoid misclassification risks, businesses and freelancers should ensure that their agreements and working practices align with the UAE legal framework:

1. Use the Correct Licence and Contract: Employees must have MOHRE/free zone employment contracts, while freelancers must hold valid freelance permits and service agreements.
2. Keep Employment and Freelance Terms Distinct: Avoid including employment-style terms (e.g. fixed working hours, mandatory leave policies or exclusivity) in freelance contracts.
3. Define Scope Clearly: Freelance agreements should focus on deliverables, timelines and fees – not on day-to-day control.
4. Seek Legal Advice: Each free zone and mainland framework has its own rules. Tailored legal advice ensures compliance and prevents costly disputes.

D. FINAL THOUGHTS

The UAE's evolving business landscape has embraced flexible work models, making freelancing an attractive option for both companies and professionals. But with flexibility comes responsibility: properly distinguishing between employment and freelance arrangements is not just good practice – it is a legal requirement.

Getting the structure right from the outset, supported by the right permits, contract and advice, helps businesses avoid unexpected liabilities while giving freelancers clarity over their rights. In the long run, compliance is not just about risk management; it's about building sustainable and transparent working relationships.

If your business is exploring to hire freelancers or if you are a freelancer reviewing an offer, our team at [Meyer-Reumann & Partners](#) will be pleased to help. For advisory and/or drafting support please reach out to our Lawyer, [Natacha El Azar](#), by emailing her at natacha@meyer-reumann.com.

**Please note this article is for general informational purposes only and does not constitute legal advice.*

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