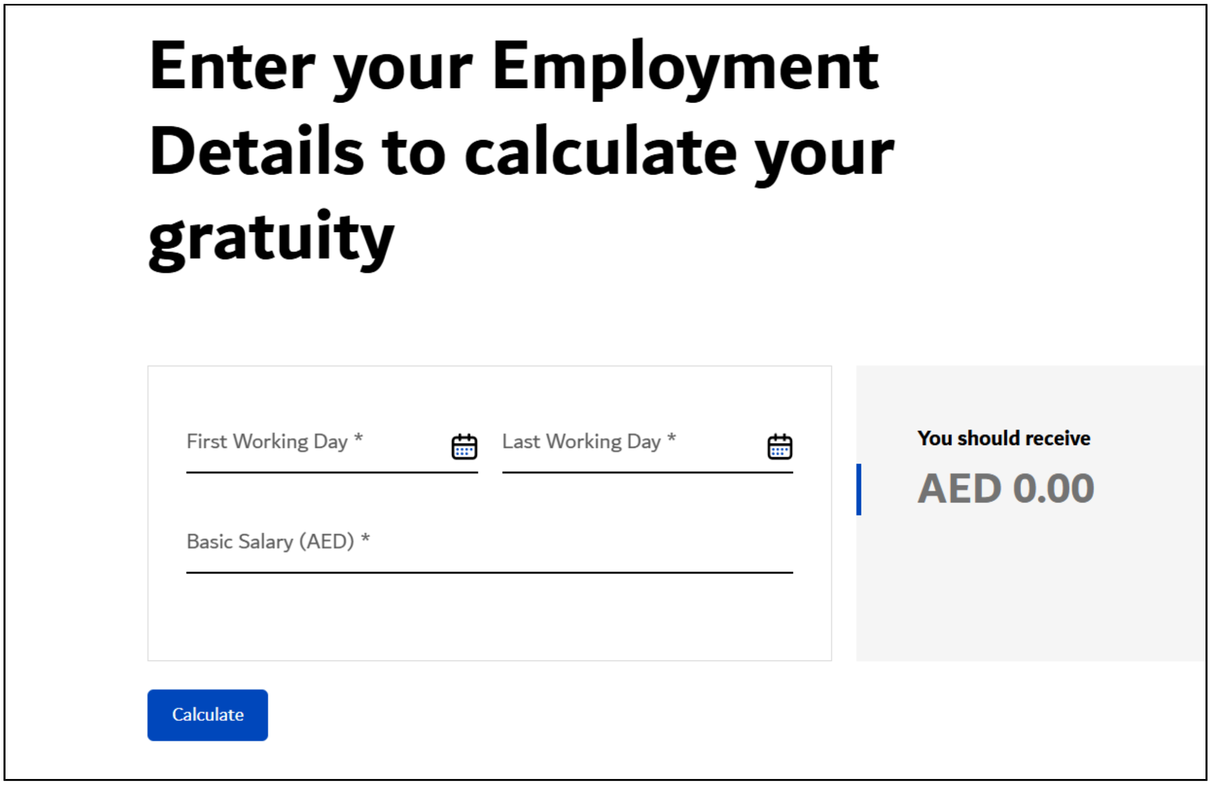
End of Service Benefits Calculations (system-based calculation logic)

This manual provides detailed guidance on calculating End of Service Benefits (EOSB) provision, including both **manual calculation methods** and **system-based calculation logic used in FirstBIT**.

1. External Resource for Verification

To verify EOSB calculation results, users can refer to the official calculator:

- Dubai Development Authority – Online Gratuity Calculator Online Gratuity Calculator | Dubai Development Authority .



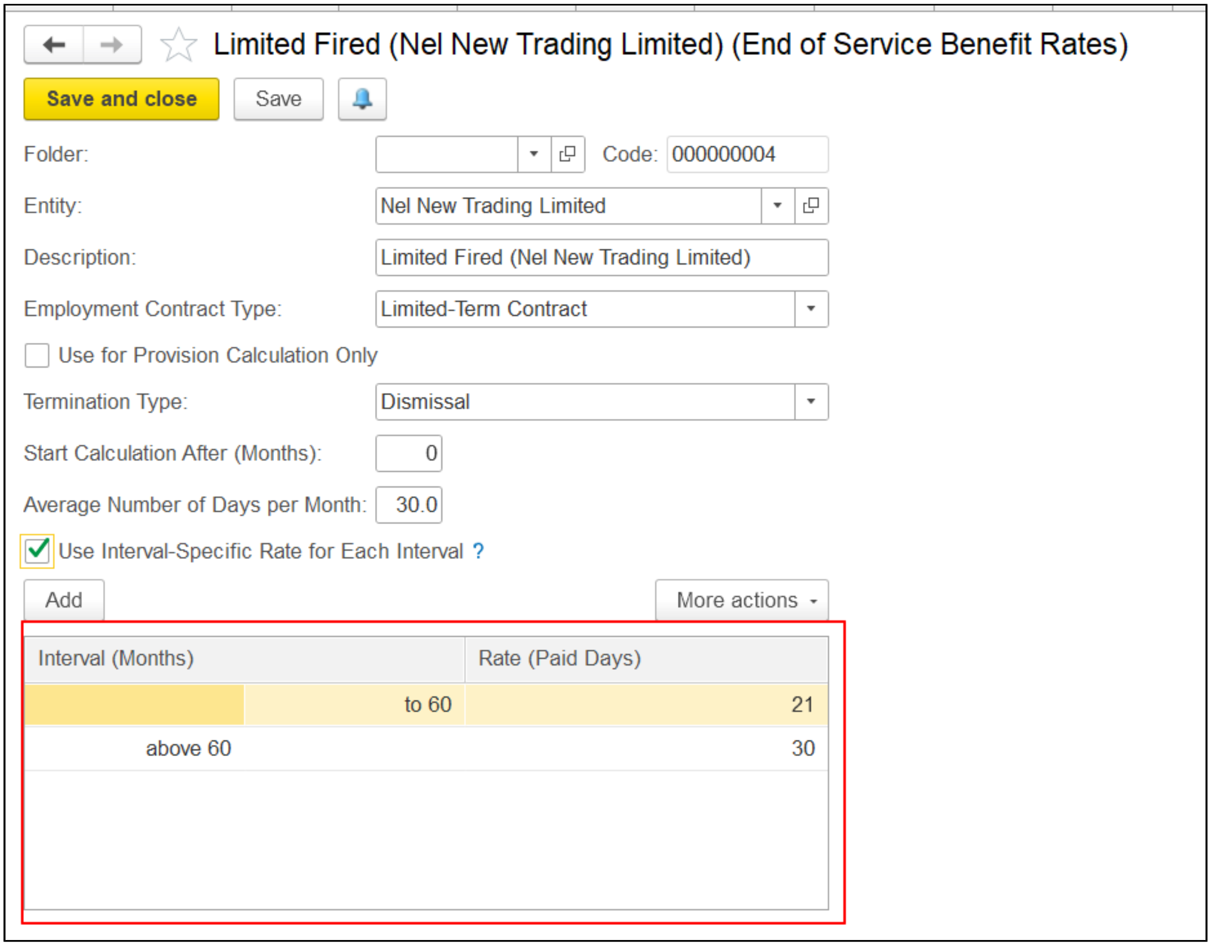
This calculator determines EOSB based on employment length in accordance with UAE labor regulations.

2. EOSB Calculation Logic

EOSB is calculated based on employee length of service and divided into two periods:

- **0 to 60 months (less than 5 years)**
  21 days of basic salary per year
- **More than 60 months (over 5 years)**
  First 5 years: 21 days per year
  After 5 years: 30 days per year

These rates must be configured in:
HR & Payroll -See Also - End of Service Benefit Rates



(See More: 10.1.9. End-of-Service Benefit Rates)

3. Manual Calculation Method (Calendar-Based)

3.1 Employee Worked Less Than 5 Years

Days to be paid:

21 × full years

- 21 × (remaining months / 12)
- 21 × (remaining days / 365)

Amount:

Days to be paid × Basic Salary / 30

Example

Employee worked:

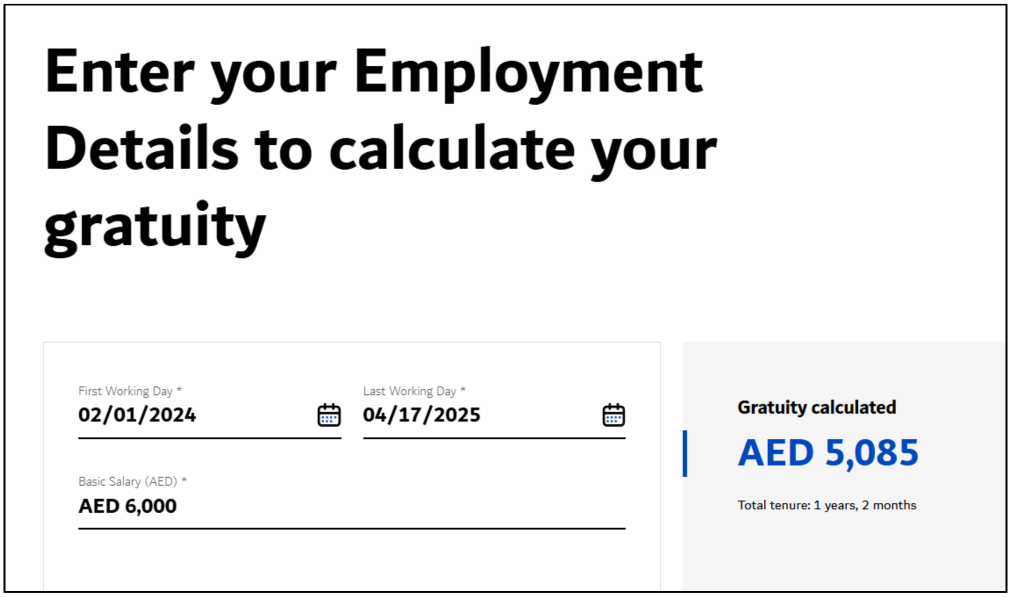
- From 02/01/2024 to 04/17/2025
- Total: 1 year, 2 months, 16 days (14 months 16 days)
- Basic Salary: 6000 AED

Days calculation:

21 × 12/12 + 21 × (14 − 12)/12 + 21 × 16/365 = 25.24 days

Amount:

25.24 × 6000 / 30 = **5085 AED**



3.2 Employee Worked More Than 5 Years

Days to be paid:

21 × 5 years

- 30 × (months beyond 60 / 12)
- 30 × (remaining days / 365)

Amount:

Days to be paid × Basic Salary / 30

Example

Employee worked:

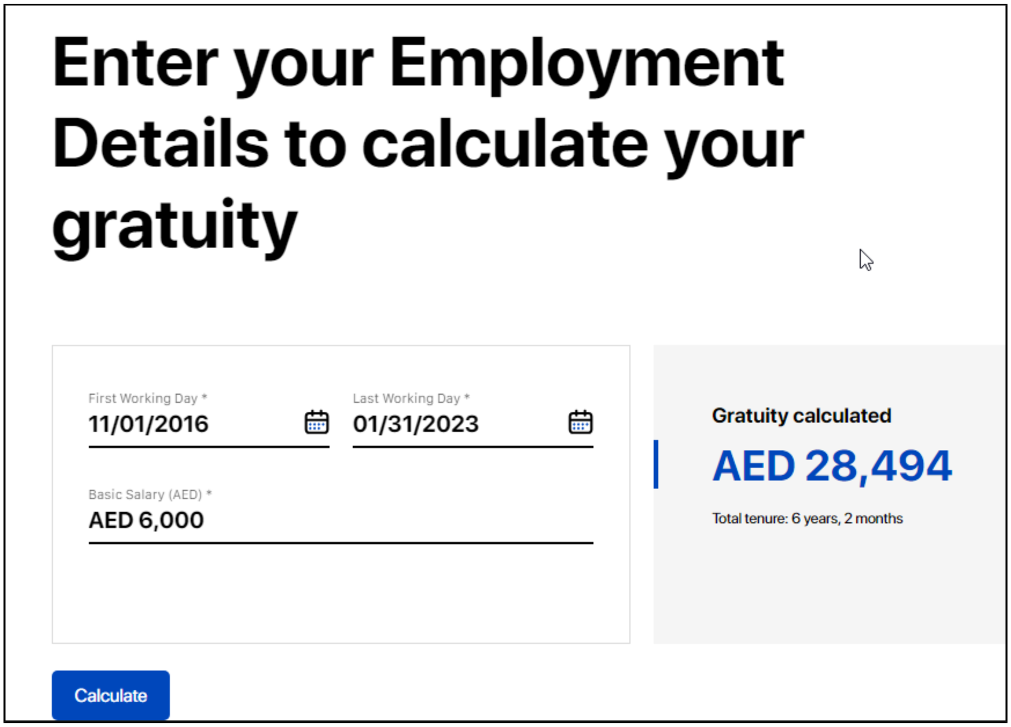
- 6 years 2 months 30 days (74 months 30 days)
- Basic Salary: 6000 AED

Days:

21 × 5 + 30 × (74 − 60)/12 + 30 × 30/365 = **142.47 days**

Amount:

142.47 × 6000 / 30 = **28,494 AED**



4. Calculation Method in FirstBIT (30/360 Standard)

In FirstBIT Software, EOSB is calculated using the **standardized 30/360 method**, which is commonly applied in payroll systems.

Key Principles:

- **1 month = 30 days**
- **1 year = 360 days**

This approach ensures consistency and simplifies calculations, although results may slightly differ from calendar-based (365 days) calculations.

5. Alternative Formula (Used in FirstBIT)

For employees with service length **less than 5 years**, EOSB can be calculated as:

EOSB Amount:

21 × (Total worked days / 360) × (Basic Salary / 30)

Where:

- **Basic Salary** – salary defined in the contract
- **30** – fixed days per month
- **360** – fixed days per year
- **21 days** – entitlement per year (<5 years)
- **Total worked days** – calculated using 30-day months

6. Examples (FirstBIT Calculation)

6.1 Provision Calculation (Month-End)

Employee details:

- Hire date: 01/02/2024
- Calculation date: 31/03/2025
- Basic Salary: 6000 AED

Service length:

- 14 months - (14 × 30) / 360 = **1.1667 years**

Daily salary:

- 6000 / 30 = **200 AED**

EOSB:

21 × 1.1667 × 200 = **4900 AED**

6.2 Final Settlement Calculation

Employee details:

- Termination date: 17/04/2025

Service length:

- (14 × 30 + 16 days) / 360 = **1.2111 years**

EOSB:

21 × 1.2111 × 200 = **5086.67 AED**

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7. Important Notes

- FirstBIT uses the **30/360 calculation method** as a system standard.
- Manual calculations may use **365 days**, leading to minor differences.
- For compliance or validation, always compare with the official calculator from Dubai Development Authority.

8. Common User Mistakes

Below are the most frequent issues encountered when calculating EOSB:

8.1 Mixing Calculation Methods (360 vs 365)

Users may compare:

- FirstBIT calculation (30/360 method)
  with
- Manual calculation using calendar days (365 days)

This leads to small discrepancies in results.

Recommendation:
Always ensure the same calculation method is used when validating results.
For system checks in FirstBIT Software, use the **30/360 method.**

8.2 Incorrect Service Length Calculation

Common mistakes:

- Using calendar months instead of fixed 30-day months
- Ignoring remaining days
- Incorrect conversion of months into years

Recommendation:
In FirstBIT:

- 1 month = 30 days

- Total service duration must be converted via /360

8.3 Wrong Salary Used in Calculation

Users may:

- Use total salary instead of Basic Salary
- Include allowances (housing, transport, etc.)

Recommendation:
EOSB must be calculated using **Basic Salary only**, as defined in the employee contract.

8.4 Incorrect EOSB Rates Applied

Typical issues:

- Applying 30 days rate before completing 5 years
- Not splitting calculation into:
    - first 5 years (21 days)
    - period after 5 years (30 days)

Recommendation:
Always verify service duration and apply correct tiered rates.

8.5 Rounding Differences

Differences may occur due to:

- Rounding of intermediate values (years, days)
- System vs manual rounding logic

Recommendation:
Use consistent rounding rules when comparing results. Minor differences (e.g., few AED) are acceptable.

8.6 Incorrect Expectation from External Calculators

Results from external tools such as
Dubai Development Authority calculator https://dda.gov.ae/en/gratuity-calculator/gratuity-calculator
may differ because:

- They may use calendar-based calculation (365 days)
- Internal system uses 30/360 method

Recommendation:
Use external calculators for reference only, not as exact match with system values.

Thank you for being FirstBIT customer!