DEFINING "DIRECTOR" & "OFFICER" UNDER UAE CORPORATE TAX LAW

CTP010 | Article 36 & Article 55 – Federal Decree-Law No. 47 of 2022

April 2026 | Based on FTA Public Clarification

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LOCAL CONNECT. GLOBAL OUTLOOK.

1 LEGAL CONTEXT & WHY IT MATTERS

Art. 36(1) – Deductibility Rule

- Payments / benefits to Connected Persons are deductible ONLY if they correspond to Market Value
- Must be incurred wholly & exclusively for business purposes
- Excess over Market Value is non-deductible

Art. 36(2)(b) – Connected Person

Includes:

1. Owner of the Taxable Person
2. Director or Officer of the Taxable Person
3. Related Party of the above persons

Art. 55(1) – Disclosure Obligation

- FTA may require a disclosure in the Tax Return
- Currently required if payments to Connected Persons exceed prescribed threshold
- Applies to: Directors, Officers, Owners & their Related Parties

Aligned with IAS 24

The assessment of "officer" is in line with International Accounting Standard 24 on Related Party Disclosures. Focus is on authority, influence and decision-making power – not merely legal form or job title.

2 DEFINITIONS: DIRECTOR vs OFFICER

DIRECTOR

Holds a position on the Board of Directors or an equivalent governing body (Board of Trustees, Board of Governors) as defined under applicable law or constitutional documents.

✓ **Includes**

- Executive / Non-Executive directors
- Temporary / Permanent / Alternative directors
- Board committee members

Does NOT Include

Job title alone containing "Director" without formal Board appointment

Substance Over Form

Authority over title. Reality over designation.

OFFICER

Any natural person who:

- Has authority & responsibility to PLAN, DIRECT & CONTROL the activities of the Taxable Person (aligned with IAS 24)
- Has power to make strategic decisions in financial, operational or commercial matters
- Has authority to approve or enter into binding agreements

Typical examples

CEO | GM | CFO | COO | CCO | Authorised Representative

Does NOT Include

Persons without final / ultimate strategic decision-making or binding authority

3 ILLUSTRATIVE SCENARIOS

#	Scenario	Officer?
1	GM with full management authority of an LLC	Yes
2	Division Head with final strategic P&L authority	Yes
3	Division Head reporting to C-suite; no final authority	No
4	HR Head – payroll & leave only, no strategic role	No
5	Consultant hired as interim CEO with planning authority	Yes
6	PoA holder – admin tasks only, pre-approved actions	No
7	Trustee with full authority over trust activities	Yes
8	Court-appointed administrator – follows court orders only	No

Core principle: ACTUAL AUTHORITY determines "Officer" status – not job title or reporting line.

4 IMPORTANT CLARIFICATIONS

- Only NATURAL PERSONS can be Directors or Officers (not legal entities).
- Formal title or appointment is NOT decisive. What matters is actual conduct, authority and control.
- Applies across all legal structures – companies, partnerships, foundations and trusts.
- If a person is BOTH a Related Party & a Connected Person → treted as RELATED PARTY ONLY.

5 KEY TAKEAWAYS FOR TAXABLE PERSONS

1. Identify Directors based on formal board or equivalent governing body appointment.
2. Assess Officers by actual authority, not job title or formal appointment.
3. Benchmark all payments to Connected Persons at arm's-length / Market Value.
4. Disclose payments to Connected Persons in Tax Return if above FTA threshold.
5. Only natural persons can be Directors or Officers – not legal entities.
6. If person is both Related Party & Connected Person → treated as Related Party only.

This clarification aligns with positions long adopted in practice. Businesses must carefully evaluate roles based on substance over form to ensure correct tax treatment, deductibility and disclosure compliance.

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