

UAE FTA Public Clarification CTP010 – meaning of “director” and “officer” for Connected Persons under Article 36 of the Corporate Tax Law

The Federal Tax Authority has issued Public Clarification CTP010 on the interpretation of the terms “director” and “officer” for the purposes of Article 36(2)(b) (Connected Persons) and Article 55(1) (disclosure in the Tax Return) of Federal Decree-Law No. 47 of 2022.

The Clarification sets out what each term means for Corporate Tax purposes. The "director" test turns on position – whether the person holds a seat on the board of directors or an equivalent governing body. The "officer" test turns on authority – the actual scope of decision-making and binding power within the Taxable Person, irrespective of formal title.

«Director» – a positional, not a nominal, test

A “director” is a person who holds a position on the board of directors. Where the Taxable Person has no board, the term extends to a person holding a position on an equivalent governing body (e.g., board of trustees, board of governors) as determined under the applicable law of incorporation or the constitutional documents (memorandum or articles of association, partnership deed, trust deed).

The category captures executive, non-executive, temporary, permanent and alternate directors, as well as members of board committees.

The decisive element is membership of the relevant body – not the wording of the job title. The mere inclusion of “director” in a person’s job title does not, by itself, render that person a “director” for Article 36(2)(b) purposes.

«Officer» – a substantive authority-based test

A person qualifies as an “officer” where they:

- possess the authority and responsibility for planning, directing and controlling the activities of the Taxable Person, in line with the framework set out in IAS 24 on Related Party Disclosures; or
- have the authority to make strategic decisions on financial, operational or commercial matters of the Taxable Person; or
- have the authority to enter into agreements or to approve actions that legally or contractually bind the Taxable Person.

The unifying element across all three limbs **is final/ultimate** authority. A person who reports to and operates within frameworks set by the CEO, General Manager, CFO, COO, CCO (“**C-suite**”), the board or an equivalent governing body – without independent strategic decision-making or binding authority – is **not** an “officer”, regardless of how senior the title may sound.

Typical “officer” positions include **C-suite** and authorised representatives with discretionary authority. The classification, however, follows substance over form: a person performing CEO-equivalent functions on an interim basis under the title “consultant” is still an “officer” where the authority criteria are met, while a

person carrying “Director of [function]” in the title without the relevant authority is not.

The concept applies to all Taxable Persons, including trusts, foundations and unincorporated partnerships treated as fiscally opaque, and to natural Taxable Persons carrying on a Business through an appointed General Manager. A trustee of a Taxable Person trust is an “officer” where they hold the relevant planning, directing and controlling authority; a court-appointed trustee or administrator merely executing court directions without discretionary authority is not.

Only a natural person can be a “director” or “officer”.

Who is, and who is not, an «officer»

The Clarification provides clear directional guidance that can be applied at role level:

- **Officer:** General Manager of an LLC with overall management authority; head of a division with final authority over financial, operational or commercial matters; head of HR with strategic authority over manpower planning, organisational structure or performance management; an employee named in the trade licence as manager or in board resolutions as a key officer where this confers final binding authority; the General Manager of a Permanent Establishment with planning, directing and controlling authority.
- **Not an officer:** a head of division who only reports to and decides within frameworks set by the C-suite or the board; a head of HR limited to routine functions (payroll, leave management) without discretionary authority; an employee or third-party secondee/outsourced manager whose role is limited to closing contractual negotiations on commercial and legal terms already agreed at the principal level.

Powers of attorney — substance over form

Holding a power of attorney does not, by itself, make an employee an “officer”. The analysis turns on what the instrument actually authorises:

- A PoA that grants discretionary authority for planning, directing and controlling activities, or for making final/ultimate strategic decisions – the holder is an “officer”.
- A PoA limited to administrative execution of pre-approved tasks, or to following instructions without independent decision-making – the holder is not.

The same logic governs the assessment of seconded staff and outsourced management personnel.

Critical interaction with the Related Party regime

Where a person is simultaneously a Connected Person and a Related Party of the Taxable Person, that person is treated only as a Related Party for Corporate Tax purposes.

This can materially change the disclosure footprint that taxpayers applied in the 2024 Tax Return. Transactions previously captured as Connected Person disclosures may, on this view, fall to be assessed (if at all) under the Related Party regime, with different threshold, scoping and

documentation consequences.

Taxpayers currently preparing returns for 2025 should re-baseline the Connected Person / Related Party classification before submission.

Practical takeaways

The Clarification is sufficiently detailed to be treated as a stable, multi-year reference point. The status mapping can therefore be carried out now and used as a working baseline for future reporting periods. We recommend the following actions:

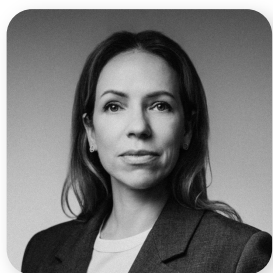
- **Map officer status across the organisation.** Identify, on a name-by-name basis, who actually holds final/ultimate strategic decision-making authority or the authority to bind the Taxable Person, separating them from those who only execute within pre-set frameworks. The output should be evidenced (delegation matrices, board minutes, internal authority manuals) and refreshed periodically.
- **Separate the “director” and “officer” analyses.** For “directors” – confirm membership of the board or equivalent governing body from the constitutional documents and corporate registers, do not rely on job titles. For “officers” – apply the substantive authority test irrespective of how the role is labelled.
- **Review job descriptions, employment contracts, delegations and powers of attorney.** Where the intended commercial role differs from what these documents say, align them. Misaligned wording can create either an unintended “officer” classification or, conversely, a position that is hard to defend in case of an FTA challenge.
- **Re-test the Connected Person vs Related Party overlap.** Re-examine the disclosure approach used in the 2024 Tax Return and adjust the methodology for subsequent periods: persons who are both must be reported only as Related Parties.
- **Document the deductibility position.** For payments and benefits to confirmed directors and officers, ensure that Market Value support is contemporaneous (benchmarking, board minutes, comparables). Article 36(1) limits deductibility to the arm’s-length amount, and the disclosure framework under Article 55(1) increases the visibility of these flows.

We are available to assist with the officer-status mapping, the review of internal authority documents, and the recalibration of the Connected Person / Related Party disclosure methodology.

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Best regards,

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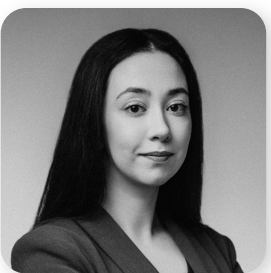
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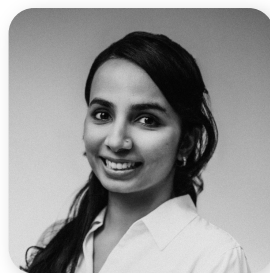
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