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# FTA Published New VAT Public Clarification : Update on Services of Member of a Board of Directors

The VAT Public Clarification VATP037, issued by the UAE Federal Tax Authority (FTA) on May 13, 2024, replaced with earlier guidance contained in the VAT Public Clarification VATP031.

UAE FTA Published New VAT Public Clarification on Treatment of the Services of a Member of a Board of Directors.

On January 1, 2023, UAE Cabinet Decision No. 99 of 2022 amended Article 3 of the Executive Regulation of the Federal Decree-Law No. 8 of 2017 on Value Added Tax (VAT). The amendment stipulates that the functions performed by a natural person appointed as a Member of the Board of Directors (BoDs) for any government or private sector entity will not be considered a supply of services for VAT purposes, thus falling outside the scope of UAE VAT.

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Prior to this amendment, services provided by directors, whether performed by a natural or legal person, were subject to VAT if the services were provided regularly, ongoing, and independently. Additionally, if the total value of taxable supplies and imports made by the director exceeded the mandatory registration threshold, the director was required to register for VAT.

Under the current UAE VAT, instead, the provision of director services by a natural person, when performed in their capacity as a BoDs member, are not treated as a supply of services for VAT purposes. This exclusion applies to both UAE resident and non-resident directors.

For director services to be excluded from UAE VAT, the following conditions apply:

1. The services must be provided by a natural person;
2. The individual must be appointed as a BoDs member of any government entity or private sector establishment.



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This exclusion does not apply to services provided by legal persons, even if they delegate a natural person to act as a director. Moreover, other services provided by a director outside their formal capacity as a director are taxable supplies if they meet the necessary conditions outlined in VAT legislation.

For instance, if the director engages in other VAT-qualifying activities, such as renting commercial properties or running sole establishments, these activities might lead to an obligation to register and account for UAE VAT.

However, the new FTA document clarifies that also the performance by an individual of functions as a member of a sub-committee within the main Board of Directors shall be excluded from the scope of VAT.

[Click here to read the official decision](#)

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