

# CORPORATE TAX ALERT

CPT010 : Corporate Tax Public Clarification : Clarification of the terms "Director" and "Officer" for the purpose of payments to Connected Persons under Article 36 of the Corporate Tax Law

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## **The Federal Tax Authority (FTA) has issued Public Clarification CTP010 to provide clarity on the terms “director” and “officer” under the UAE Corporate Tax Law, specifically in relation to Connected Persons under Article 36.**

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Under the Corporate Tax Law, payments made to Connected Persons are deductible only if they are at market value and are incurred wholly and exclusively for business purposes. Additionally, such transactions may require disclosure in the tax return where applicable thresholds are met.

**Applicability** – This clarification applies to all Taxable Persons under UAE Corporate Tax Transactions involving directors and officers assessment of Connected Person relationships deductibility and disclosure of payments

### **Analysis**

This clarification reinforces the principle of substance over form in determining Connected Persons Businesses can no longer rely solely on job titles; instead, actual authority and decision-making power must be evaluated.



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**THE INCLUSION OF OFFICERS SIGNIFICANTLY BROADENS THE SCOPE OF CONNECTED PERSONS, INCREASING COMPLIANCE REQUIREMENTS FOR:**

- Compensation structuring
- Related party transactions
- **Documentation and benchmarking failure to comply may result in disallowance of expenses and increased scrutiny during tax assessments.**
- Transactions with such persons must be disclosed in the Corporate Tax Return
- Applicable where prescribed thresholds are exceeded.



## Key Clarifications

### 1. Meaning of "Director"

A director refers to a person who:

- Holds a position on the Board of Directors, or
- Is part of an equivalent governing body as per legal/constitutional documents

### Important:

**A job title alone (e.g., "Sales Director") does not make a person a director for tax purposes.**



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## 2. Meaning of “Officer”

An officer includes any person who:

- Has authority to plan, direct, and control business activities, or
- Makes strategic decisions (financial, operational, commercial), or
- Has authority to bind the business legally or contractually

### Examples include

- CEO, CFO, COO, General Manager
- Authorised signatories with decision-making authority

### Exclusion:

- **Individuals performing only routine or administrative functions without strategic authority.**

### Tax Treatment

Deductibility – Payments to directors and officers:

- Must be at **arm’s length (market value)**
- Must be incurred for **business purposes only**
- Excess amounts may be **disallowed**



### Conclusion

CTP010 provides critical clarity on identifying directors and officers for Corporate Tax purposes. Businesses should reassess their organisational structure and ensure:

- Proper classification of personnel.
- Arm’s length compensation policies.
- Adequate documentation and disclosures.



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## FAQs

### **1. Does having “Director” in designation make a person a director?**

No. Only those appointed to the Board or equivalent governing body qualify.

### **2. Can an employee be treated as an officer?**

Yes, if they have strategic decision-making authority or power to bind the business.

### **3. Are all payments to officers disallowed?**

No. They are allowed if they are at market value and for business purposes.

## How Premier Brains Global can help?

We assist businesses in:

- Evaluating Connected Person and related party relationships.
- Benchmarking director/officer compensation as per UAE Transfer Pricing regulations.
- Ensuring tax planning and optimization structures for Director’s and Key Management remuneration.
- Ensuring mitigation of transfer pricing risks through effective tax structure.
- Preparing documentation and disclosures for UAE Corporate tax filings.

#### Disclaimer

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