

United Arab Emirates

VAT Public Clarification (VATP037)

Performing the function of Director on a
Board of Directors by a Natural person

May 2024





In brief

The Federal Tax Authority (FTA) of the United Arab Emirates (UAE) has issued a Public Clarification (VATP037) that replaces the previous VAT Public Clarification (VATP031) on the Value Added Tax (VAT) treatment of services provided by a natural person as a director on a board of directors.

The new Public Clarification is accessible [here](#).

In detail

On May 13 2024, the FTA published a new Public Clarification (VATP037) on its website to replace the previous VAT Public Clarification (VATP031) on the Value Added Tax (VAT) treatment of directorship services provided by a Natural Person.

Based on an amendment made to Article 3(2) of the VAT Executive Regulations, effective from 1 January 2023, the provision of Directors services is not to be considered as a supply of services for VAT purposes, where the following conditions are met:

- The services are provided by a natural person; and
- The person is appointed as a director on a board of any government entity or private sector establishment.

The new Public Clarification has not made major changes in respect on the original contents of the replaced Public Clarification (VATP031), while confirming that the exclusion of director services from the qualification of “supply of services for UAE VAT purposes” can extend to services performed as a member of a committee derived from the same board on which the director serves.

The new Public Clarification also uses an example to emphasize that only the services performed in the formal capacity as director can be outside the scope of UAE VAT. Services rendered by a third-party natural person who is not a director during the meetings of a board of directors or any committee derived therefrom shall be considered as a supply of services for VAT purposes and will be taxable subject to meeting other conditions.

Based on the new Public Clarification, the same transitional and deregistration rules provided in the previous Public Clarification (VATP031) are applicable to the services performed as a member of a committee by a natural person in the formal capacity as director.



This document highlights the new guidance provided in Publication Clarification VATP037 that out of scope director services include services performed as a member of a committee derived from the same board on which the director serves.



The takeaway

Relevant government and private entities, individuals acting as directors on a Board of Directors shall be aware that services provided as a member of a committee derived from the same Board is excluded from the qualification of supply of services for UAE VAT purposes.

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Let's talk

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