

TAX

Tax Guide - Qatar Adopts 15% Global Minimum Tax

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Ensuring compliance and strategic adaptation for multinational enterprises.

Introduction: Qatar's Implementation of OECD Pillar Two

Global Context & Qatar Legislation

Global Context

The OECD/G20 BEPS 2.0 Pillar Two framework introduces a 15% global minimum effective tax rate for multinational enterprise (MNE) groups with consolidated annual revenues of €750 million or more.

Qatar Legislative Background

Qatar implemented Pillar Two through:

- Law No. 22 of 2024 – establishing the legislative foundation
- Council of Ministers Resolution No. 2 of 2026 – detailed implementing regulations
- Published in the Official Gazette on 12 February 2026 Effective for financial years beginning on or after 1 January 2025.

Scope of Application

The regime applies across mainland Qatar, the Qatar Financial Centre (QFC), Free Zones, and the Qatar Science & Technology Park (QSTP).

Mechanisms: QDMTT & IIR

Qualified Domestic Minimum Top-Up Tax (QDMTT)

Ensures Qatar domestic income is taxed to a minimum 15% effective tax rate before foreign jurisdictions apply top-up mechanisms.

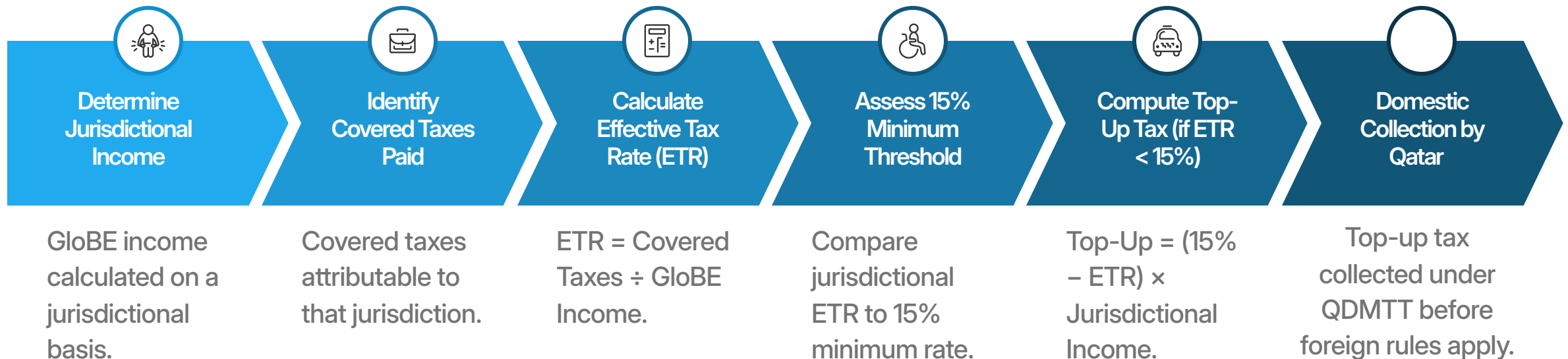
Income Inclusion Rule (IIR)

Requires Qatar parent entities to apply top-up tax on low-taxed foreign subsidiary income to reach the 15% minimum threshold.



Qualified Domestic Minimum Top-Up Tax (QDMTT)

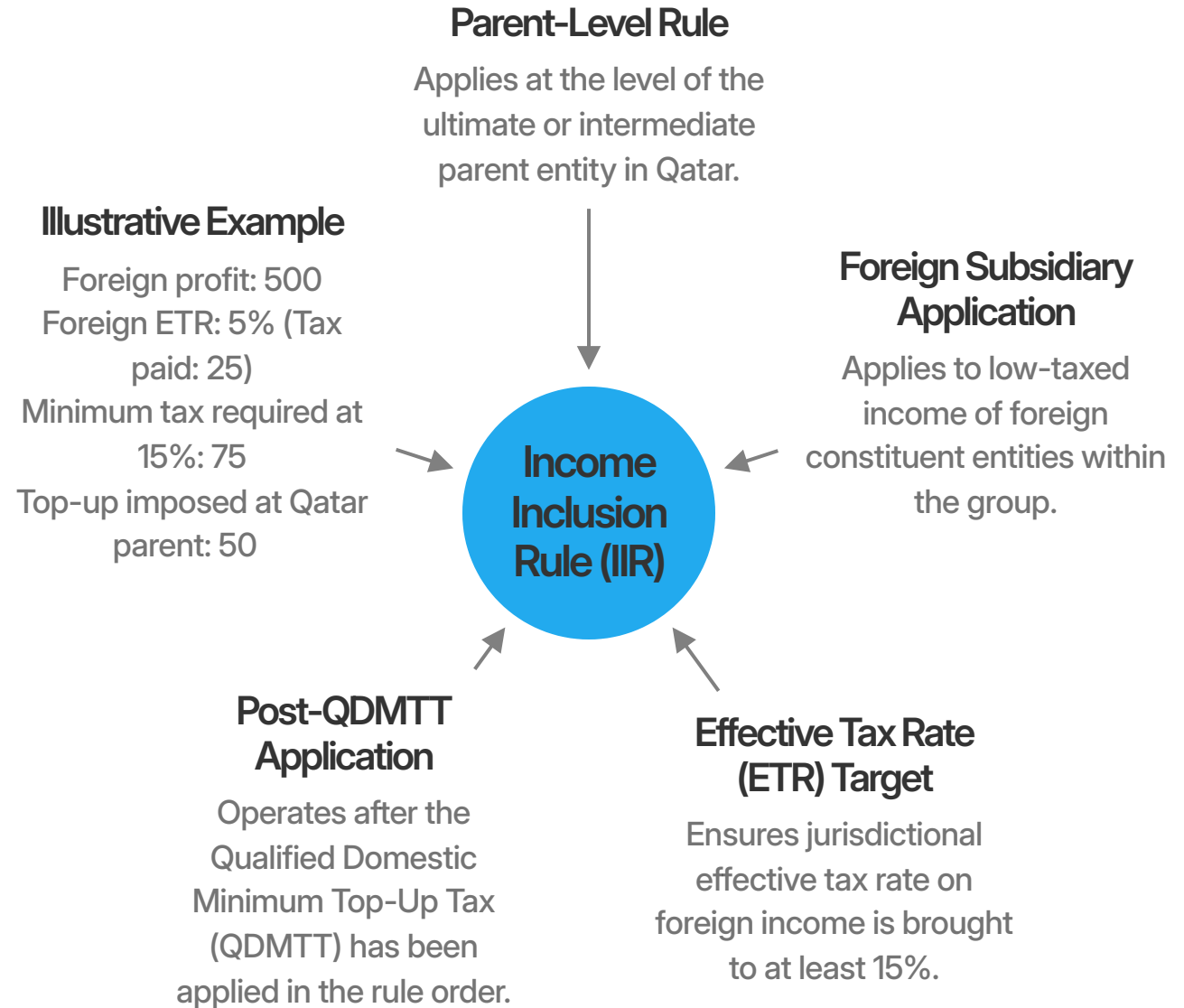
This diagram illustrates the step-by-step calculation and collection mechanism of Qatar's Qualified Domestic Minimum Top-Up Tax (QDMTT).



QDMTT operates as a domestic protection mechanism under the Pillar Two rule hierarchy.

Income Inclusion Rule (IIR)

This diagram illustrates how the Income Inclusion Rule (IIR) operates at the Qatar parent level to bring low-taxed foreign income up to the 15% minimum rate.



Key Objectives

Strategic Rationale: Qatar's Alignment with Global Tax Reform

- **Preservation of Domestic Taxing Rights:** Securing Qatar's sovereign right to tax profits generated within its borders.
- **International Tax Competitiveness:** Aligning with global standards to maintain Qatar's position in the international economic landscape.
- **Fiscal Base Protection:** Proactively safeguarding the national tax base against potential erosion by foreign taxing jurisdictions.
- **Mitigation of "Tax Leakage":** Ensuring that profits of Qatari-based MNEs, if taxed below 15% in foreign jurisdictions, are subject to a top-up tax collected domestically.



Scope Determination: Identifying In-Scope MNE Groups

- **MNE Group Status:** The group must operate in, or be consolidated in, more than one jurisdiction. Groups exclusively operating within Qatar are outside the scope.
- **Consolidated Revenue Threshold:** Consolidated revenue must exceed **€750 million** in at least two of the four preceding fiscal years

Example:

Qatar HQ + UAE subsidiary

Revenue (last four years): €680m, €820m, €640m, €790m Cross-border presence confirmed.

Revenue exceeds €750m in two years → Group is in scope.



Application of the MNE Group Test

This table demonstrates the sequential application of the MNE Group Test, where cross-border presence is first assessed before applying the €750 million consolidated revenue threshold.

Structure	Jurisdictions	MNE Status	Outcome
Qatar HQ + Qatar subsidiaries only	Qatar	Single jurisdiction	Out of scope
Qatar HQ + UAE subsidiary	Qatar + UAE	Cross-border presence	Subject to revenue test
Qatar HQ + KSA branch	Qatar + Saudi Arabia	Foreign presence (consolidated)	Subject to revenue test

The MNE Group Test is triggered where the group operates in more than one jurisdiction. If satisfied, the €750 million revenue threshold must then be assessed.

Revenue Test - Scenario

This illustration demonstrates how the €750 million consolidated revenue threshold is assessed across the four preceding fiscal years to determine whether the group falls within Pillar Two scope.



As FY22 and FY24 exceed €750 million, the two-year test is satisfied and the group falls within scope.

Practical Scope Scenarios for Pillar Two in Qatar

Illustrative scope outcomes under the MNE Group Test

- **Scenario 1 – Below Revenue Threshold**
Structure: Qatar HQ + UAE subsidiary
Revenue: €600m annually
Outcome: Cross-border presence confirmed.
Revenue below €750m threshold → **Out of scope**
- **Scenario 2 – Threshold Met in Two Years**
Structure: Qatar HQ + UAE subsidiary
Revenue: €700m, €820m, €640m, €760m
Outcome: Revenue exceeds €750m in two of four preceding fiscal years → **In scope**
- **Scenario 3 – Consolidated Foreign Presence**
Structure: Qatar HQ + KSA branch
Revenue: €900m consolidated
Outcome: Foreign presence and threshold exceeded → **In scope**

Scope requires:

- Cross-border presence
- €750m consolidated revenue threshold assessment

CbCR-based transitional relief mechanisms

This slide outlines the key transitional safe harbour tests designed to simplify compliance and reduce the compliance burden for multinational enterprises (MNEs) in Qatar's implementation of Pillar Two.

Simplified ETR Test

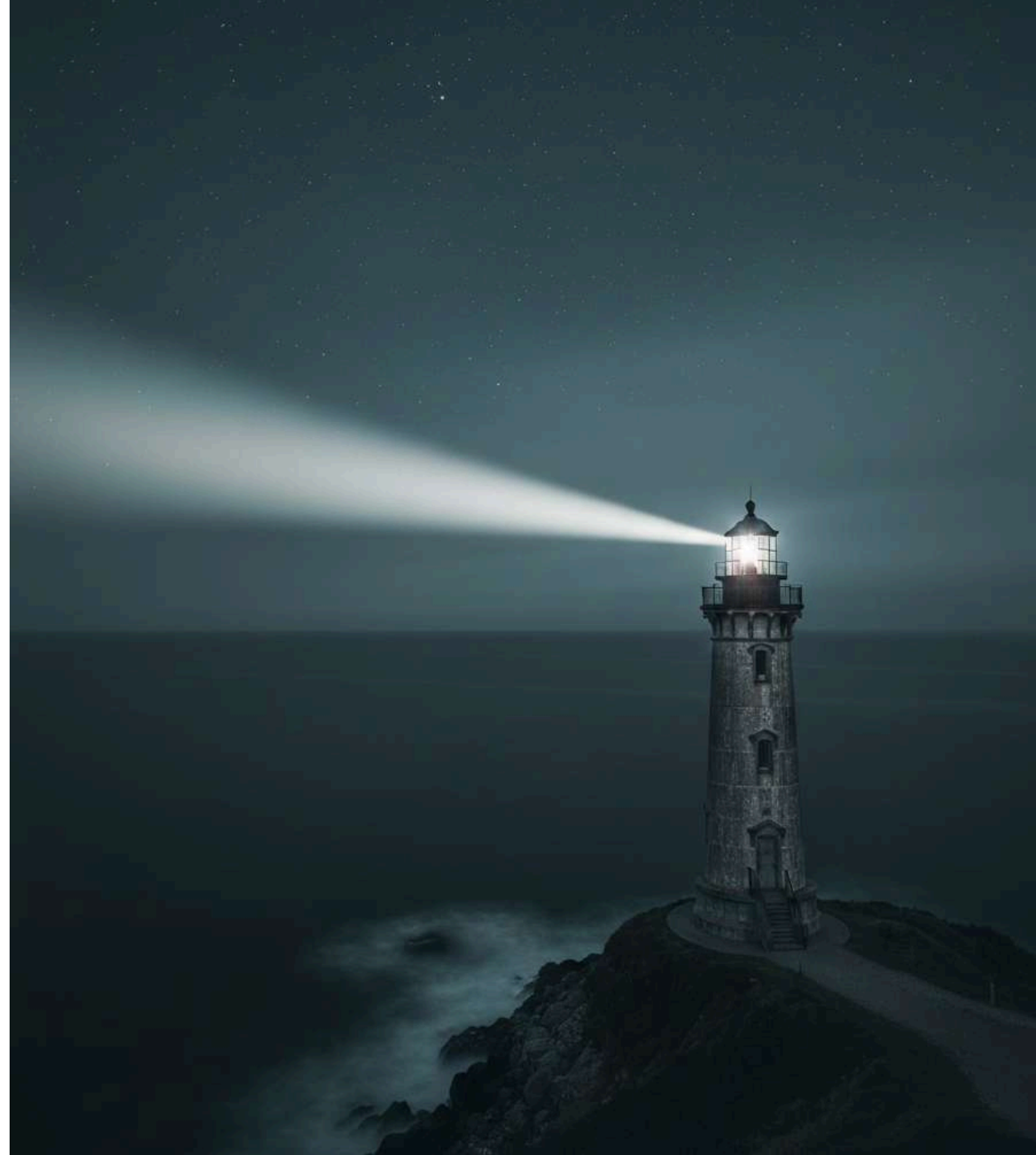
- **Condition:** Jurisdictional effective tax rate (calculated using CbCR data) is $\geq 15\%$.
- **Effect:** Jurisdiction deemed to have no top-up tax for the transitional period.

Routine Profits Test (Substance-Based Carve-Out)

- **Condition:** Profit before tax does not exceed the substance-based income exclusion amount.
- **Effect:** Jurisdiction treated as low-risk for transitional purposes.

De Minimis Test

- **Condition:**
Annual revenue $< \text{€}10$ million AND
Annual profit (loss) $< \text{€}1$ million in the jurisdiction.
- **Effect:** Jurisdiction excluded from detailed GloBE computation.



De Minimis Threshold – Practical Illustration

Both revenue and profit conditions must be satisfied

Country A



Revenue: €15m Profit: €900k

Result: Revenue exceeds €10m → Not eligible for de minimis exclusion

Country B



Revenue: €9m Profit: €800k

Result: Below both thresholds → Excluded from detailed GloBE computation

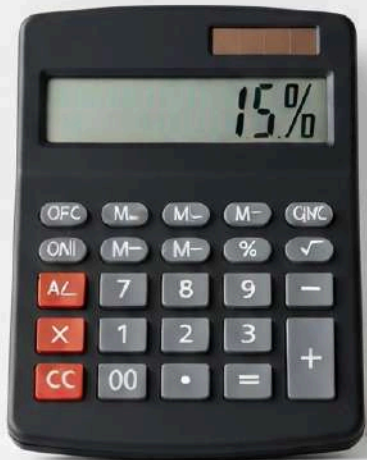
Core Principle

Mechanics of the 15% Top-Up Calculation

The core principle is a 'top-up' to achieve a 15% ETR on a jurisdictional basis for in-scope MNEs.

Illustrative Example:

- Jurisdictional Income: 1,000
- Jurisdictional Taxes Paid: 100
- Effective Tax Rate (ETR): 10%
- Minimum Required Rate: 15%
- **Top-up Tax Calculation:** $(15\% - 10\%) * 1,000 = 50$



Strategic Significance: The DMTT as a Fiscal Safeguard



Ensures Domestic Tax Collection

Guarantees that any Pillar Two top-up tax is collected within Qatar, preventing fiscal leakage to foreign jurisdictions.



Defence Against UTPR

Acts as a critical defence mechanism against the potential application of the Undertaxed Payments Rule (UPR) by other countries.



Reinforces National Tax Base

Strengthens domestic tax collection capabilities and secures the national tax base against base erosion and profit shifting (BEPS) strategies.

The DMTT is paramount for Qatar's fiscal sovereignty.

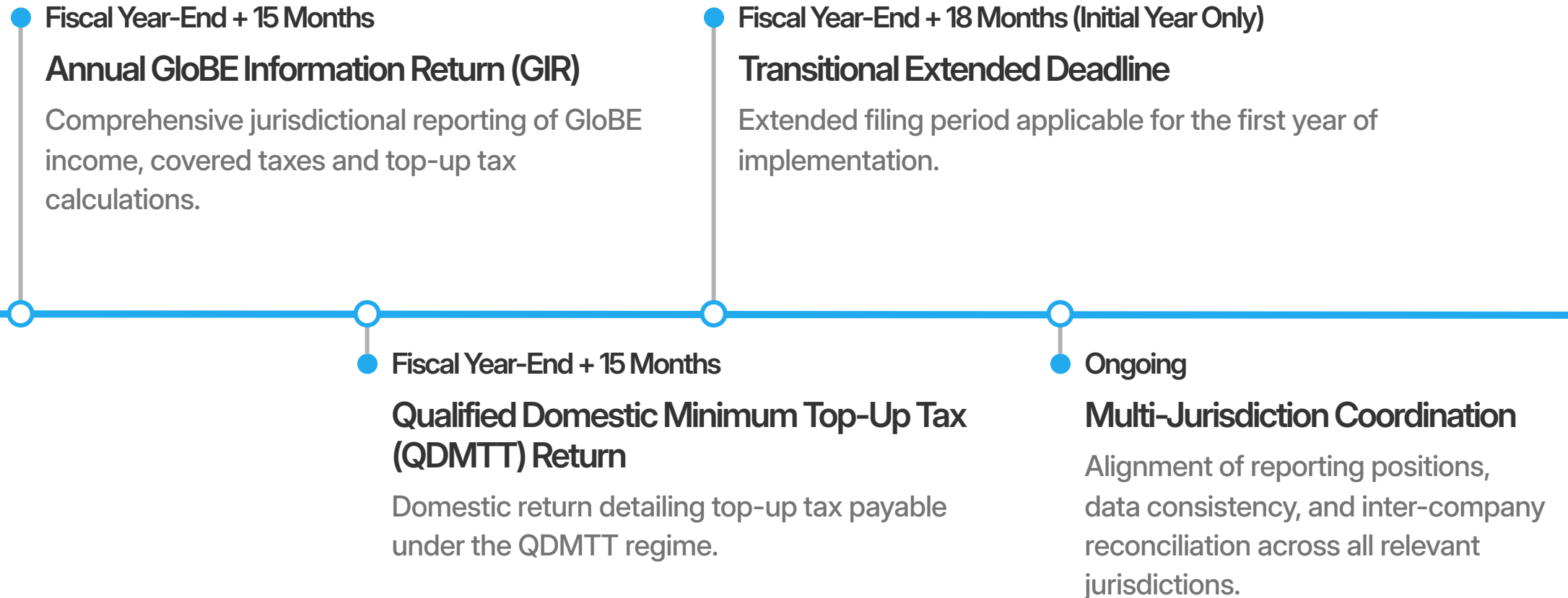
Impact Analysis: Incentives and Preferential Regimes Under Scrutiny

The introduction of a 15% global minimum ETR necessitates a strategic reassessment of existing tax incentives and preferential tax regimes.

- **Erosion of Benefits:** Tax exemptions, holidays, or reduced rates that result in an ETR below 15% will likely trigger a top-up tax, effectively nullifying the intended benefit.
- **Re-evaluation of Value Proposition:** The net benefit of incentive arrangements must be recalibrated considering potential residual top-up tax obligations.
- **Strategic Tax Planning:** MNEs must consider the interplay between incentive eligibility and Pillar Two compliance, potentially requiring structural adjustments.

Pillar Two Reporting & Filing Timeline

As provided under Law No. 22 of 2024 and Council of Ministers Resolution No. 2 of 2026, published in the Official Gazette on 12 February 2026.



Filing deadlines are aligned with OECD Model Rules and formally adopted under Qatar's February 2026 implementing regulations.

Indicative Exposure by Business Category Under a 15% Minimum Tax Environment

The 15% Global Minimum ETR and its implications for Qatar's tax landscape.

This table provides a high-level comparison of how different business categories in Qatar may be affected under the 15% global minimum tax regime, based on their current tax profile and Pillar Two scope considerations.

Category	Current Tax Profile	Exposure to 15% Minimum Tax
Listed MNEs	2.5% Sports & Social Levy	Yes – if in scope
Energy sector	35%	Generally no incremental impact
Free Zone multinationals	0%	Yes – if in scope
Inbound multinationals	10%	Yes – if in scope
Government-owned	0%	Yes – if in scope
Family-owned	0%	Yes – if in scope

Key Implications:

Advanced Compliance & Data Governance Requirements

- **Financial Data Dependency:** Calculations rely heavily on financial accounting data, mandating high accuracy, consistency, and reconcilability.
- **Cross-Functional Data Integration:** Seamless collaboration between tax, finance, and IT departments is essential.
- **Enhanced Documentation & Audit Readiness:** Comprehensive data trails and robust documentation are critical to meet increasing tax authority scrutiny.



Pillar Two compliance is driven by financial reporting data and will require robust governance frameworks.

Penalties & Enforcement Risk

As provided under Qatar Law No. 22 of 2024 and Council of Ministers Resolution No. 2 of 2026.



- **Financial Penalties**
Monetary penalties may apply for failure to file, inaccurate reporting, or underpayment of top-up tax.
- **Administrative Sanctions**
Regulatory consequences may arise where compliance obligations are not satisfied.
- **Increased Audit Scrutiny**
Enhanced review of GloBE calculations, assumptions, and data integrity.
- **Multi-jurisdiction Information Exchange**
Automatic exchange of Pillar Two information between tax authorities increases transparency and detection risk.
- **Reputational Exposure**
Non-compliance may impact stakeholder confidence and governance assessments.

Non-compliance under Qatar's Pillar Two implementing regulations may result in financial, administrative, and reputational exposure.



Pillar Two Operational Considerations


Strategic Implications for Multinational Operations

- **Accelerated Tax Recognition:** Tax liabilities may crystallize earlier due to the accounting-driven nature of the calculations.
- **Increased ETR Volatility:** The interplay of "GloBE" rules, transitional adjustments, and potential blending mechanisms can lead to fluctuations in effective tax rates.
- **Heightened Tax Authority Scrutiny:** Expect a more rigorous examination of the methodologies, assumptions, and data underpinning Pillar Two compliance filings.

Strategic Roadmap: Next Steps

A structured and phased implementation approach to manage Pillar Two exposure effectively



 **Early action** reduces uncertainty, **protects domestic tax positions**, and ensures **sustainable compliance** with the **15% minimum tax requirement**.

Key Takeaways for MNEs

Mastering Qatar's Pillar Two Landscape

Qatar's implementation of Pillar Two signifies a major shift in the global tax environment. For affected Multinational Enterprises (MNEs), this is more than just compliance; it requires a strategic approach.

- **Essential elements for success include:**

- **Continuous Monitoring:** Staying informed about evolving regulations and economic shifts.
- **Sophisticated Modelling:** Accurately forecasting tax liabilities across various jurisdictions.
- **Robust Governance:** Implementing clear internal controls and accountability frameworks.

Proactive, structured, and expert-guided preparation is crucial for mitigating risks and ensuring sustained compliance effectiveness well beyond the January 1, 2025, effective date.