



## **QATAR TAX ALERT**

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# **Qatar introduces User Guide on Pillar Two Global Minimum Tax Framework**

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## EXECUTIVE SUMMARY

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The Qatar General Tax Authority (GTA) has released its Pillar Two User Guide, providing detailed clarification on the application of the **Global Minimum Tax framework in Qatar**.

While the introduction of a **15% minimum tax rate** has been widely noted, the more important development is how these rules will operate in practice. Pillar Two is not driven by headline tax rates, it is driven by how income, taxes, and ownership are calculated and allocated under the GloBE framework.

### **The Qatar guidance reinforces three key points:**

- The Domestic Minimum Top-Up Tax (DMTT) is designed to ensure Qatar retains primary taxing rights over low-taxed profits arising locally
- The Income Inclusion Rule (IIR) can create tax exposure in Qatar even where profits arise entirely outside the jurisdiction
- Structural features particularly ownership levels and group hierarchy can significantly influence where and how top-up tax arises

The practical implications are set out below, focusing on where tax exposure is most likely to arise in practice.

# DOMESTIC **MINIMUM TOP-UP** TAX LOCALIZING THE TAX COST

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## ILLUSTRATIVE **EXAMPLE**

A Qatar-based subsidiary generates profits of QAR 10 million and is subject to an **effective tax rate of 10%**.

Under the Qatar Pillar Two framework, a Domestic Minimum Top-Up Tax is applied to increase the **effective tax rate to 15%**, resulting in additional tax being payable in Qatar

### **What this means in practice**

This example highlights a key design feature of the regime:

Qatar will collect the top-up tax before other jurisdictions can apply Pillar Two rules.

### **From a commercial perspective:**

- Any shortfall below 15% on Qatar profits is captured locally
- Foreign parent jurisdictions are effectively blocked from applying IIR or UTPR on the same income
- Groups benefiting from incentives or lower effective tax outcomes in Qatar will now see a direct increase in local tax cost

This represents a shift from jurisdiction-based planning to rule-based outcomes under Pillar Two. The ability to rely on jurisdictional differences in tax rates is significantly reduced where a qualified DMTT is in place.

### **Key takeaway:**

The DMTT ensures that Qatar **retains taxing rights over low-taxed domestic profits and in most cases**, will be the first jurisdiction to collect the top-up tax.

# INCOME INCLUSION RULE – OFFSHORE PROFITS, QATAR TAX

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## ILLUSTRATIVE EXAMPLE

A Qatar-headquartered group operates through a subsidiary in a foreign jurisdiction where profits are taxed at an **effective rate of 5%**, and that jurisdiction has not implemented Pillar Two rules.

Under the Income Inclusion Rule, the Qatar parent is required to pay top-up tax in Qatar to bring the effective tax rate on those **profits up to 15%**

### **What this means in practice**

This is where the rules become more impactful and less intuitive. The tax arises in Qatar, even though the profits are generated entirely offshore.

This creates a disconnect between where profits are generated and where tax is ultimately paid.

### **In practical terms:**

- Groups may face Qatar tax liabilities on foreign income streams
- Qatar effectively acts as a collection jurisdiction where other countries have not implemented Pillar Two
- The IIR may apply not only at ultimate parent level, but also through intermediate or partially-owned entities located in Qatar

### **This creates a shift in how exposure needs to be assessed:**

- It is no longer sufficient to look at individual jurisdictions in isolation
- The group structure itself determines where the tax is paid

### **Key takeaway:**

Low-taxed foreign profits can result in a tax charge in Qatar, making it critical to understand **how the IIR interacts with the group's structure.**

# WHERE GROUPS ARE LIKELY TO UNDERESTIMATE EXPOSURE

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One of the more common misconceptions is that Pillar Two exposure arises only in traditionally low-tax jurisdictions.

In practice, exposure is increasingly driven by how group structures are configured, rather than where profits are generated.

## **In particular:**

- Intermediate holding entities located in Qatar may trigger IIR even where the ultimate parent is elsewhere
- Partially-owned structures may result in unexpected allocation of top-up tax
- Jurisdictions that have not implemented Pillar Two can still give rise to tax liabilities in Qatar

As a result, groups may face tax exposure in Qatar without any change in underlying operations or profitability.

# PRACTICAL CONSIDERATIONS **FOR** BUSINESSES

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The Qatar guidance makes clear that Pillar Two is **not simply a rate-based system**. It is a data-driven computational framework.

**Groups should now focus on:**

## **Immediate priorities**

- Identifying jurisdictions where the effective tax rate may fall **below 15%**
- Determining where any resulting top-up tax is likely to arise
- Assessing whether Qatar could act as the primary collection jurisdiction

Structural review

## **Particular attention should be given to:**

- Group holding structures involving Qatar
- Intermediate entities located in Qatar
- Joint ventures and minority ownership positions

## **Cash tax impact:**

- Modelling the expected increase in **tax to the 15% minimum**
- Understanding where that tax will be payable



## ACQUISORY VIEW

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Qatar's Pillar Two framework is **now fully operational and aligned with OECD standards**. The key development is not the introduction of a minimum rate, but the mechanism through which that rate is enforced.

For many groups, the primary exposure will not arise from obvious low-tax jurisdictions, but from:

- The location of parent and holding entities
- The allocation of income and taxes across the group
- The ownership profile of key entities

Understanding these factors will be critical in determining both the quantum of exposure and where that exposure crystallizes.

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