



Pillar Two developments in Qatar

February 2026

A large, decorative orange graphic consisting of two parallel horizontal bars with slanted ends, positioned below the date. The bars are connected at their right ends, forming a continuous shape that spans across the lower half of the page.

In brief

Qatar has implemented Pillar Two through Law No. 22 of 2024 (Qatar Pillar Two Law), introducing the Income Inclusion Rule (IIR) and a Domestic Minimum Top-up Tax (DMTT), effective from 1 January 2025. The law aligns with the OECD GloBE Model Rules, Commentary and Agreed Administrative Guidance.

On 12 February 2026, the Council of Ministers issued a Resolution amending the Executive Regulations and setting out detailed rules for applying the IIR and DMTT. As expected, the framework is closely aligned with the OECD GloBE Model Rules. Qatar has also been recognised by the OECD as having a qualified IIR and DMTT regime.

The rules apply to Multinational Enterprise (MNE) Groups with consolidated global revenues of at least EUR 750 million in at least two of the four preceding fiscal years. This includes:

- Qatar-headquartered groups with operations outside Qatar; and
- Foreign-headquartered MNEs with operations in Qatar.

Purely domestic Qatar groups are outside the scope.

Notification deadlines will be confirmed in a forthcoming Decision from the President of the General Tax Authority (GTA). The Executive Regulations confirm that no notification will be due before 30 June 2026.

Below, we outline the key features of the IIR and DMTT, together with our initial observations and practical considerations.

In detail

Key features of the IIR and DMTT rules

Scope of the rules

Scope of IIR

IIR applies to Qatar-located parent entities (including Ultimate Parent Entities, Intermediate Parent Entities and certain Partially-Owned Parent Entities) that directly or indirectly own interests in Low-Taxed Constituent Entities located outside Qatar.

Under the IIR, Qatar may impose Top-up Tax on the foreign low-taxed income of an MNE Group in accordance with the top-down hierarchy set out in the GloBE Model Rules, subject to switch-off rules where a Qualified IIR applies in another jurisdiction. The IIR does not apply to domestic income, which is instead addressed through the DMTT.

Scope of DMTT

The DMTT introduces a jurisdictional-level Top-up Tax on Qatar Constituent Entities ("CEs") and Joint Ventures ("JVs") of an MNE Group, as well as Stateless Flow-Through Entities created in Qatar and Stateless Permanent Establishments with a place of business (or deemed place of business) in Qatar.

The DMTT rules set out the requirements for calculating GloBE Income or Loss, Adjusted Covered Taxes and Domestic Top-up Tax in respect of Qatar-located entities.

<p>Scope of the rules (cont.)</p>	<p>PwC Observation: Qatar’s Pillar Two framework closely follows the GloBE Model Rules and Commentary. The introduction of a DMTT ensures that Qatar retains primary taxing rights over low-taxed domestic profits, while the IIR enables Qatar to tax low-taxed foreign income of Qatar-headquartered groups or groups with Qatar parent entities. As a result, groups with Qatar operations or Qatar-based parent entities will need to assess the exposure under both rules. The addition of a Qatar IIR will also remove any potential liability under the Undertaxed Profits Rule (UTPR) for Qatar-headquartered groups.</p>
<p>Commentary and Guidance</p>	<p>The Qatar Pillar Two Law provides that the IIR and the DMTT are to be interpreted and applied consistently with the GloBE Model Rules, Commentary to the GloBE Model Rules and any Agreed Administrative Guidance issued by the OECD/G20 Inclusive Framework. The Resolution further confirms that amendments to the Commentary and Administrative Guidance will apply for the purposes of interpreting the rules, unless the Council of Ministers issues a decision excluding the application of any such amendments.</p> <p>PwC Observation: This approach promotes consistency with other implementing jurisdictions, reduces interpretative uncertainty for multinational groups, and allows Qatar’s rules to evolve in line with future OECD guidance without requiring frequent legislative amendments. At the same time, the ability of the Council of Ministers and the President of the GTA to issue implementing decisions provides flexibility to address Qatar-specific administrative and compliance considerations.</p>
<p>Excluded Entities</p>	<p>The following entities are excluded from the application of the IIR and DMTT rules: (i) Governmental entities; (ii) International organizations; (iii) Non-profit organizations; (iv) Pension funds; (v) Investment funds that are UPEs; and (vi) Real estate investment vehicles that are UPEs.</p> <p>A Filing Constituent Entity may elect not to treat an Entity as an Excluded Entity.</p> <p>The IIR and DMTT rules also extend the Excluded Entity definition to an Entity, subject to meeting certain conditions:</p> <ul style="list-style-type: none"> • Where at least 95% of its value is owned, directly or indirectly, by one of the aforementioned Excluded Entities (other than a Pension Services Entity), and the entity operates exclusively or almost exclusively to hold assets or invest funds for these Excluded Entities, and/or it only carries out activities that are ancillary to those carried out by the Excluded Entity(ies). • Where at least 85% of its value is owned, directly or indirectly, by one of the aforementioned Excluded Entities (other than a Pension Services Entity), and the entity's income is primarily derived from gains and losses on shares or equity interests that are excluded from the calculation of the CEs’ income or loss. <p>Excluded Entities are not subject to a Top-up Tax on their income. However, the revenue of an Excluded Entity will be considered in determining whether the revenue threshold of EUR 750 million or more is met by the MNE Group.</p> <p>Further, Sovereign Wealth Funds (“SWF”) as well as any Entity wholly owned by a SWF which undertakes the same or similar activity, shall not be considered an Ultimate Parent Entity and shall not be considered part of a MNE Group, provided that they meet certain requirements.</p>

<p>Excluded Entities (cont.)</p>	<p>PwC Observation: Excluded Entities under the IIR and DMTT rules are in line with the GloBE Model Rules and highlight that SWFs are excluded from IIR and DMTT. Given that SWFs and their wholly owned subsidiaries cannot be UPEs, this means that the portfolio entities of these SWFs should be assessed and treated separately under the IIR and DMTT rules. Eligibility for the SWF exemption should be considered carefully, as the SWF exemption under the IIR and DMTT (and Pillar Two in general) is narrower than similar exemptions for corporate income tax in many jurisdictions.</p>
<p>Allocation of Top-up Tax</p>	<p><u>Allocation under IIR</u></p> <p>Under the IIR, the Top-up Tax of a Low-Taxed CE is allocated to Parent Entities in proportion to their Inclusion Ratio, which is determined by reference to the Parent Entity's allocable share of the Low-Taxed CE's Pillar Two income. Where multiple Parent Entities apply the IIR within the ownership chain, offset mechanisms apply to prevent double taxation by reducing the Top-up Tax charged at higher levels to the extent it has already been brought into charge under a Qualified IIR at a lower level.</p> <p>This approach ensures that the Top-up Tax is ultimately borne by the relevant Parent Entity (or Entities) in accordance with their economic ownership of the Low-Taxed CE, consistent with the GloBE "top-down" charging logic.</p> <p><u>Allocation under DMTT</u></p> <p>For purposes of the DMTT, the jurisdictional Top-up Tax attributable to Qatar is allocated among Qatar-located CEs in proportion to each entity's GloBE Income included in the computation of the Net GloBE Income for Qatar. A similar allocation approach applies to Domestic Joint Ventures and Domestic Joint Venture Subsidiaries within a Domestic Joint Venture Group.</p> <p>A Group shall designate a single Entity for the filing and payment of the DMTT on behalf of one or more Constituent Entities. The President of the GTA shall issue a Decision prescribing the manner and form by which that Entity is designated.</p> <p>Notwithstanding this proportional allocation, the Resolution provides that:</p> <ul style="list-style-type: none"> • All Domestic CEs located in Qatar are jointly and severally liable for the aggregate DMTT liability of the MNE Group's CEs located in Qatar; and • Each Domestic Joint Venture and its Domestic Joint Venture Subsidiaries are jointly and severally liable for the DMTT liability of the Domestic Joint Venture Group. <p>PwC Observation: The Qatar rules combine entity-level allocation based on GloBE Income with group-level joint and several liability, which may result in entities bearing DMTT liabilities even where they would not have been low-taxed on a standalone basis (for example, where an entity's individual ETR exceeds 15% or where the Substance-Based Income Exclusion exceeds its GloBE income). This is particularly important for non-wholly owned entities and joint ventures, where Top-up Tax liabilities may economically affect minority investors. Groups should therefore assess how the allocation and joint liability mechanics interact with existing shareholder arrangements and consider implementing tax allocation and funding frameworks to manage Pillar Two exposures under both the IIR and the DMTT.</p>

Calculation of the DMTT

The ETR and Top-up Tax calculations under the IIR and DMTT rules are in line with the GloBE Model Rules, as illustrated below:

Step 1: Calculate the GloBE Income and Adjusted Covered Taxes for each Qatari CE and aggregate	(1) Aggregate CE Income = Sum of all adjusted income for all non-excluded entities in Qatar	(2) Aggregate Adjusted Covered Taxes = Sum of Adjusted Taxes for all non-excluded entities in Qatar
Step 2: Calculate the ETR	(3) ETR = (2) / (1) X 100	
Step 3: Calculate the Top-up Tax percentage	(4) Top-up Tax percentage = 15% - (3)	
Step 4: Calculate the Substance-based Income Exclusion	(5) Substance-based Income Exclusion = 5% to 9.6% of the sum of eligible payroll costs for all entities in Qatar + 5% to 7.6% of the sum of carrying value of eligible tangible assets for all entities in Qatar	
Step 5: Calculate Top-up Tax	(6) Jurisdictional Top-up Tax = (4) X [(1) - (5)]	
Step 6: Determine Additional Current Tax / Permanent Difference Tax liability	(7) Determine (if any) whether additional current tax and/or permanent difference tax liability arises due to certain criteria being met, e.g. restatement of financial statements or non-GloBE permanent differences	
Step 7: Determine the total Top-up Tax liability	(8) Qatar total Top-up Tax liability = (6) + (7)	

The IIR and DMTT rules follow the GloBE Model Rules in the sense that JVs (and their subsidiaries), Investment Entities or Insurance Investment Entities located in the jurisdiction, and Minority-Owned Constituent Entities (MOCE) of a Minority-Owned Subgroup must calculate Top-up Tax separately from CEs in Qatar. MOCEs are entities that are consolidated but in which the UPE has a direct or indirect ownership interest of 30% or less.

The data used for the purpose of the computations should be based on the accounts used to prepare the consolidated financial statements of the group.

<p>Safe harbours and exclusions</p>	<p>Safe harbours and exclusions follow the GloBE Model Rules, and include the following:</p> <p>De minimis exclusion – The DMTT is considered nil where the average GloBE Revenue in Qatar is below EUR 10 million and the average GloBE Income or Loss is a loss or does not exceed EUR 1 million. The averages are calculated by reference to the current fiscal year and the two preceding fiscal years.</p> <p>Transitional Country-by-Country Reporting (“CbCR”) Safe Harbour – For fiscal years beginning on or before 31 December 2027 (and excluding fiscal years ending after 30 June 2029), the Top-up Tax may be deemed nil where one of the tests (De Minimis Test, Simplified ETR Test or Routine Profits Test) is met. A qualifying CbCR is required to access this safe harbour.</p> <p>Initial phase of international activity exclusion (DMTT) – The Minister of Finance is entitled to issue a decision on implementing the exclusion. Under this exclusion (<u>if implemented</u>) the DMTT is deemed nil where the MNE Group operates in no more than six jurisdictions, holds tangible assets below EUR 50 million outside its reference jurisdiction, and no Qatar entity is owned by a parent applying a Qualified IIR in another jurisdiction. This exclusion applies for up to five years from when the group first comes within scope.</p> <p>While the recently announced Side-by-Side Safe Harbours are not directly mentioned in the Regulations, it provides for automatic application of the amendments to the Commentary and the Administrative Guidance amendments, except where specifically made inapplicable by a Decision of the Council of Ministers.</p> <p>PwC Observation: The safe harbours and exclusions are broadly aligned with the GloBE Model Rules and OECD guidance. While these provisions may significantly reduce the Top-up Tax exposure, groups will still be required to meet registration, filing and reporting obligations, even where the Top-up Tax is deemed to be nil. Eligibility must be assessed annually, and reliance on the transitional CbCR Safe Harbour will require groups to ensure their CbCR processes meet the Qualifying CbCR requirements.</p>
<p>Transfer pricing</p>	<p>Transactions between related entities must adhere to the arm’s length principle. Certain adjustments may be required to ensure that transactions between CEs are recorded in the same amount and consistently with the arm’s length principle. Groups will need to reassess their current global and domestic transfer pricing policies in light of these requirements.</p>
<p>Registration</p>	<p>In-scope CEs and JVs will be required to register with the GTA via a designated electronic platform. Where multiple CEs of the same MNE Group are located in Qatar, a Designated Local Entity must be appointed to register on their behalf. Entities that cease to be in scope are required to deregister. The timeline and detailed registration and deregistration requirements will be communicated by the GTA through decisions issued by the President.</p> <p>PwC Observation: At this stage, limited information has been released on the form and information requirements for Pillar Two registration in Qatar. In other jurisdictions, registration processes for global minimum tax regimes have been onerous, often requiring extensive group and entity-level information. Groups within the scope of Qatar’s Pillar Two rules should therefore begin assessing the impact of the rules now to identify the entities required to register and prepare the relevant information in advance of further guidance.</p>

<p>Top-up Tax Return filing and payment</p>	<p>The Qatar Pillar Two rules provide that in-scope CEs and JVs are required to file IIR and DMTT returns with the GTA by the same deadline applicable to the GloBE Information Return, being 15 months after the end of the Reporting Fiscal Year, or 18 months for the first Transition Year. Payment of any Top-up Tax due under the IIR or the DMTT must be made by the same deadline.</p> <p>To reduce the compliance burden, MNE Groups shall designate a single entity to file the relevant Top-up Tax returns and pay the Top-up Tax on behalf of other Qatar-located CEs (including MOCEs). The detailed form, content and mechanics of the Top-up Tax returns will be prescribed by a decision of the President of the GTA.</p> <p>The President shall issue a Decision for: a) calculating, paying and administering the DMTT advance payments, including the associated deadlines; b) the appointment of a Designated Local Entity; c) any other Top-up Tax filing and payment obligations.</p> <p>PwC Observation: While the filing and payment deadline of 15 months (or 18 months for the first year the Group is in scope of Pillar Two) provides some administrative lead time, Pillar Two obligations may arise well in advance of these deadlines. In-scope groups will need to consider the impact of the IIR and DMTT in their financial statement disclosures, including interim reporting where applicable. Determining the Top-up Tax liability is expected to require the collection and validation of a large volume of granular data across group entities, potentially involving hundreds of data points per CE or JV. Groups should therefore begin assessing data availability, systems readiness and governance frameworks early to manage compliance risks and avoid material errors in Pillar Two calculations.</p>
<p>Pillar Two Information Return</p>	<p>Qatar-located CEs will be required to file a Pillar Two (GloBE) Information Return with the GTA, unless the return is filed by the UPE or a Designated Filing Entity in a jurisdiction that has a Qualifying Competent Authority Agreement (“QCAA”) with Qatar. Where the return is filed outside Qatar, the local entities must notify the GTA of the filing entity and jurisdiction.</p> <p>The Information Return will follow a standardised template aligned with the OECD GloBE Information Return and must be filed within 15 months from the end of the Reporting Fiscal Year (or 18 months for the first year when GloBE applies to the Group). The GTA may update the reporting requirements to reflect future OECD guidance.</p> <p>PwC Observation: Centralised filing in Qatar may reduce duplicative reporting for Qatar-headquartered groups where a QCAA is in place, allowing the GTA to exchange information with foreign tax authorities. However, groups should carefully assess QCAA availability and ensure their systems can support the significant data and consistency requirements of the GloBE Information Return.</p>

Financial records and documentation requirements	<p>Failure to maintain required records, documents, and books in accordance with the provisions of the Law, Executive Regulations, and related decisions, or failure to retain them accurately and completely, or failure to submit them to the GTA within the prescribed period, or destruction thereof before the permitted retention period, shall result in a financial penalty of QAR 30,000. In the event of liquidation of an entity, failure to retain records for five years after liquidation shall result in the penalty being imposed on the last managers or persons in charge.</p>
Information requests, audits and clarification powers	<p>The information-gathering and audit powers of the GTA under the Income Tax Law apply equally to the DMTT and IIR. This includes the GTA's authority to request additional information, issue clarification requests, conduct tax audits and review Pillar Two returns and information filings. These powers allow the GTA to verify the accuracy of Pillar Two calculations and assess whether safe harbours, exclusions or elections have been correctly applied.</p> <p>Failure to provide information or documents requested by the GTA within the prescribed period shall result in a financial penalty of QAR 200 for each missing item, up to a maximum of QAR 72,000. This penalty shall apply whether the violator is the taxpayer or any other person who had possession or control of such documents.</p>
Dispute resolution and appeals	<p>Taxpayers may rely on the dispute prevention and resolution mechanisms under the Income Tax Law in relation to Pillar Two matters. This includes the ability to challenge assessments, request reconsideration and pursue appeals in accordance with the established domestic tax dispute framework. These mechanisms provide a degree of procedural certainty for disputes arising from the application of the DMTT or IIR.</p>
Penalties and sanctions	<p>Submission of incomplete or incorrect information to the GTA shall result in a financial penalty of QAR 100 for each incomplete or incorrect item, up to a maximum of QAR 10,000 per registration, return, notification, or request. Where the GTA determines that such incomplete or incorrect information resulted in an incorrect tax assessment, an additional penalty of 50% of the unpaid tax shall be imposed.</p> <p>The penalties and sanctions regime will be in line with the Qatar Income Tax Law, including penalties related to:</p> <ul style="list-style-type: none"> • Failure to register or submit notification: QAR 20,000 • Late filing of tax return: QAR 500 for each day of default, up to a maximum of QAR 180,000 • Failure to settle payable tax: 2% of the amount due for each month of default, not exceeding 100% of the tax due • Fraudulent activities: imprisonment for maximum 1 year and 3 times the tax payable (Art. 26) <p>The financial penalties and sanctions stipulated in Article (23 bis/7) of the Income Tax Law shall be waived during the transitional period if it is determined that the MNE Group has taken reasonable measures to ensure proper application of the Law.</p>

Next Steps

With Pillar Two effective from 1 January 2025 and the Executive Regulations now issued, in-scope groups should prioritise structured preparation to manage exposure and integrate compliance into FY2025 reporting cycles.

1. Confirm scope and assess impact

Undertake a detailed assessment to determine whether the IIR and/or DMTT apply (including JVs and JV subsidiaries). This should quantify potential Top-up Tax exposure, evaluate safe harbour eligibility, identify data and systems gaps, and assess financial statement implications. Early engagement across tax, finance, legal and systems teams will be critical to ensure alignment and internal ownership. See more in relation to Pillar Two immediate actions [here](#).

2. Address financial reporting implications

Evaluate the impact under IAS 12 and IAS 34, including the need to revisit FY2025 provisions and disclosures and ensure readiness for interim reporting in 2026. Coordination between tax and finance functions will help mitigate year-end reporting pressure. See more in relation to Pillar Two accounting disclosures [here](#).

3. Prepare for registration

Entities within scope of Pillar Two will be required to register with the General Tax Authority (GTA). While the formal deadline is yet to be published by the GTA, groups should monitor developments and prepare in advance to ensure timely compliance.

4. Embed compliance processes

Groups should establish processes and supporting documentation to calculate, provision and report Top-up Tax liabilities. A clear governance framework and defined ownership over Pillar Two data flows will be essential to support sustainable, ongoing compliance.

5. Review CbCR position and transfer pricing policies

Confirm that CbCR meets the “qualifying” requirements to access the Transitional Safe Harbour and reassess intercompany arrangements to ensure continued alignment with the arm’s length principle in a Pillar Two environment.

As the Pillar Two framework takes effect in Qatar, timely and coordinated action will be key to navigating the new landscape with confidence. We are working with businesses across the Middle East to help them respond effectively and embed practical, sustainable solutions. We would be pleased to discuss how these developments may affect your organisation.

Let's talk

For a deeper discussion or in case of any queries, please contact our below colleagues.



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Thank you

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