



QATAR PILLAR TWO FRAMEWORK: USER GUIDE

Introduction and Scope



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◆ Qatar Pillar Two Framework: User Guide

Introduction and Scope

Disclaimer

The Guide has been developed to support understanding on the introduction of Pillar Two rules in Qatar (**referred also as the “Qatar Pillar Two Framework”**) for entities subject to Pillar Two. This Guide presents key concepts in a simplified manner. For readability not all details or exceptions have been covered. Any **capitalized terms** included should be interpreted in line with the definitions in the Qatar Pillar Two Framework.

As an example, for simplicity and readability, this Guide employs the term “ownership” in various contexts. It should be noted, however, that the Qatar Pillar Two Framework specifically refers to “Ownership Interest”, and as such any reference to “ownership” within this Guide should be interpreted as if it were a reference to “Ownership Interest”.

This Guide includes a number of high-level examples which are provided for illustrative purposes only. Each Entity should carefully consider their own fact pattern to understand how the Qatar Pillar Two Framework will apply.

Any reference to a Domestic Minimum Top-up Tax or an Income Inclusion Rule within this Guide should be considered as if the Domestic Minimum Top-up Tax or Income Inclusion Rule are considered ‘qualified’.

Please be advised that this Guide is not legally binding; taxpayers should always refer to the relevant legislation.

1. Background and Purpose

OECD Pillar Two Framework

The Pillar Two initiative, as implemented under the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS 2.0), establishes a Global Minimum Tax regime. The rules require that each Multinational Entity Group (“**MNE Group**”) with annual consolidated revenue of EUR 750,000,000 or more is subject to a Minimum Rate of fifteen percent (15%) on its Net GloBE Income in each jurisdiction in which it operates.

The principal objectives of Pillar Two is to address Base Erosion and Profit Shifting (“**BEPS**”) by ensuring that large MNE Groups pay an Effective Tax Rate (“**ETR**”) of not less than the Minimum Rate on their profits in every jurisdiction where they conduct business, thereby reducing incentives for profit shifting and promoting tax fairness and neutrality across jurisdictions.

Qatar’s Adoption – Legal Framework and Effective Date

Qatar has implemented the Pillar Two Global Minimum Tax regime through Law No. (22) of 2024, which amends the Income Tax Law (No. 24 of 2018) and introduces Chapter VII Bis concerning the Global and Domestic Minimum Taxes (the “**Law**”). Pursuant to this Law and Resolution of the Council of Ministers No. 2 of 2026 Issuing the Rules for the Application of the Global and Domestic Minimum Taxes (the “**Resolution**”) (collectively the Law and Resolution are referred to as the Qatar Pillar Two Framework). Under the Qatar Pillar Two Framework, Qatar has implemented two Pillar Two charging mechanisms

effective for Fiscal Years commencing on or after 1 January 2025:

- **Domestic Minimum Top-Up Tax (“DMTT”)**: Applicable to Constituent Entities or a Joint Venture located in the State of Qatar.
- **Income Inclusion Rule (“IIR”)**: Applicable to MNE Groups where the Ultimate Parent Entity (“UPE”) is located in Qatar. The IIR may also apply, subject to conditions, where an Intermediate Parent Entity or a Partially Owned Parent Entity are located in Qatar.

These rules are designed to align Qatar’s tax system with the OECD/G20 Inclusive Framework on BEPS Pillar Two standards. The objective is to protect the State’s tax base and prevent profit shifting by ensuring that income earned by in-scope MNE Groups is subject to an ETR of not less than the Minimum Rate of fifteen percent (15%), either in Qatar or through Top-Up Taxes imposed in other jurisdictions.

In summary, any profits of MNE Groups within the scope of the Qatar Pillar Two Framework that are subject to an ETR below 15% may be subject to a Top-Up Tax, such that the total tax paid is brought up to the Minimum Rate of 15%.

If any conflicts arise, the Qatar Pillar Two Framework indicates that Qatar’s international obligations (including those related to Pillar Two) are intended to take precedence over domestic laws.

Example 1

Company Q, located in Qatar, is a wholly-owned and line-by-line consolidated subsidiary of an in-scope MNE Group. Company Q earns QAR 10,000,000 in profit and has a

10% ETR in Qatar. Under the Qatar Pillar Two Framework, Qatar imposes a Domestic Minimum Top-Up Tax so that Company Q's total tax on those profits is increased to a 15% ETR.

Example 2

A Qatar-headquartered MNE Group has a wholly-owned and line-by-line consolidated subsidiary, Company X, in Country X. Country X has not implemented the Pillar Two rules. Company X's profits are taxed at a 5% ETR. Under the Qatar Pillar Two Framework, Qatar applies the IIR, requiring the Qatar parent to pay a Top-up Tax in Qatar, under the IIR, so that the profits from Country X are taxed at a 15% ETR.

2. Scope of the Qatar Pillar Two Framework

The Qatar Pillar Two Framework applies only to Entities that are members of large MNE Groups meeting specific criteria, as set out in the Qatar Pillar Two Framework, which are outlined below. It is important to note that these tests should be applied to each Fiscal Year, noting that based on these criteria an Entity located in Qatar may be in-scope of the Qatar Pillar Two Framework for one Fiscal Year and fall outside the scope of the Qatar Pillar Two Framework in a subsequent year.

Multinational Entity Group Test

A Group is considered a MNE Group if it includes at least one Entity or GloBE Permanent Establishment (“**GloBE PE**”) located outside the jurisdiction of the UPE. A reference to a GloBE PE within this Guide refers to the definition of a GloBE PE under the Qatar Pillar Two Framework, and not to the concept of a permanent establishment under other Qatar tax law.

Example 3

A Qatari UPE owns a number of wholly-owned and line-by-line subsidiaries that are located in Qatar. The Qatari UPE has no foreign branches or GloBE PE's. It would not be considered as an MNE Group given it is a purely domestic Group and as such it would fall outside the scope of the Qatar Pillar Two Framework.

Example 4

Company Q, located in Qatar, is a UPE, and has a branch in Singapore and a subsidiary in Germany. Accordingly it becomes a MNE Group and would be in-scope of the Qatar Pillar Two Framework.

Revenue Test

The Pillar Two rules apply only if the MNE Group's annual consolidated revenue is at least EUR 750,000,000 in at least two of the four Fiscal Years immediately preceding the tested Fiscal Year, as measured in the Consolidated Financial Statements of the UPE ("**Revenue Test**").

Revenue of all Entities (including Excluded Entities) is counted, using the same accounting basis in the Consolidated Financial Statements. If a Fiscal Year is shorter or longer than 12 months, the threshold is pro-rated.

Example 5

Company Q located in Qatar is the UPE of an MNE Group with subsidiaries in Country X. Its consolidated revenue exceeded EUR 750,000,000 in three of the last four years. The MNE Group is in scope of the Qatar Pillar Two Framework.

Example 6

An MNE Group operates in Qatar and 15 other countries. However, as its global revenue has not exceeded EUR 600,000,000 in any of the previous five Fiscal Years it does not meet the Revenue Test and is therefore out of scope of the Qatar Pillar Two Framework.

Members of the MNE Group

Under the Qatar Pillar Two Framework, the rules apply to all **members** of an in-scope MNE Group, which broadly includes both **Entities**, **GloBE PEs** and **GloBE Joint Ventures**.

Entities

An **Entity** is any legal person, or arrangement that prepares separate financial accounts, such as a partnership, or trust. It does not include natural persons. The term Entity shall not include central, state, or local government or their administration or agencies that carry out government functions.

Example 7

Company Q, located in Qatar, is wholly-owned and line-by-line consolidated into the UPE of in-scope MNE Group. As Company Q is a legal entity, it will be considered as an Entity under the Qatar Pillar Two Framework.

Example 8

Company Q, located in Qatar, is the UPE of an in-scope MNE Group. Company Q owns units in a partnership that is created in a foreign jurisdiction (Partnership P, in Country P). Partnership P prepares separate financial statements and accordingly will be considered as an Entity under the Qatar Pillar Two Framework.

GloBE Permanent Establishment

A **GloBE PE** under the Qatar Pillar Two Framework is conceptually distinct from a permanent establishment, which is determined under domestic law or considering the provisions of a double tax treaty.

Under the Qatar Pillar Two Framework, a GloBE PE is broadly defined to include (i) a PE recognized under an applicable double tax treaty, (ii) a PE recognized under domestic law where no double tax treaty applies, (iii) a place of business, in a jurisdiction that does not have a corporate tax system, that would be treated as a permanent establishment in accordance with the OECD Model Tax Convention on Income and on Capital and (iv) a place of business not already described above where the jurisdiction of the main entity exempts the income earned from that place of business from its domestic tax law.

Under the Qatar Pillar Two Framework, GloBE PEs are treated in the same manner as any other Constituent Entity (“**CE**”) of the MNE Group, requiring separate attribution of GloBE Income or Loss and Adjusted Covered Taxes, and inclusion in the jurisdictional ETR and Top-Up Tax computations.

Example 9

Company Z, located in Country Z, which is part of an in-scope MNE Group, has a branch office in Doha. According to Qatari domestic law, and the Double Tax Treaty between Qatar and Country Z, the branch is recognized as a permanent establishment and is subject to Qatari income tax. For Qatar Pillar Two Framework purposes, this branch qualifies as a **GloBE PE** of the company in Country Z and will be considered a CE under the Qatar Pillar Two Framework.

Example 10

Company Q, located in Qatar, is a manufacturing firm that has established a fixed place of business in Country Z for the purpose of assembling and distributing its products. Under the tax law of Country Z the activities of Company Q in Country Z constitute a permanent establishment and are taxed on a net basis. Although there is no Double Tax Treaty in place between Qatar and Country Z the activities of Company Q in Country Z constitutes a **GloBE PE**.

Summary

Once both tests (the Multinational Test and the Revenue Test) are satisfied, the Qatar Pillar Two Framework applies to members of an in-scope MNE Group that are located in Qatar.

Importantly, even if an Entity is considered as an Excluded Entity (such as a Governmental Entity or a Non-profit Organisation) its revenue is still included for determining if the Group meets the EUR 750,000,000 Revenue Test.

3. Entity Classification under Qatar Pillar Two Framework

Within an MNE Group, different companies and structures are classified according to the definitions set forth in the Qatar Pillar Two Framework. It is not sufficient to rely on an Entity's classification under Qatari domestic tax law or accounting standards. Instead, the Qatar Pillar Two Framework prescribes specific definitions - aligned with the OECD's GloBE Rules - that determine whether an Entity is in scope, how its income and Adjusted Covered Taxes are allocated, and whether it may be required to pay a Top-Up Tax.

This chapter provides a practical overview of key Qatar Pillar Two Framework Entity types to help readers understand who is covered, how Entities interact, and why classification matters for Pillar Two outcomes. The explanations below do not cover every possible Entity classification and, in some cases, simplify concepts to support clarity and readability.

Please be advised that an Entity may be simultaneously classified under multiple types; for example, it can be both Ultimate Parent Entity and Constituent Entity.

Parent Entity

A **Parent Entity** is an entity within an MNE Group that **directly or indirectly owns an Ownership Interest in another CE** and line-by-line **consolidates the financial results** of that CE in its Consolidated Financial Statements. A Parent Entity can exist at multiple levels in a group structure and includes the **Ultimate Parent Entity**, an **Intermediate Parent Entity (“IPE”)**, or a **Partially-Owned Parent Entity (“POPE”)**, provided they meet the consolidation and ownership conditions.

Ultimate Parent Entity (“UPE”)

A **UPE** under the Qatar Pillar Two Framework is the top-level Entity in a MNE Group that directly or indirectly owns all other CE’s in the Group and **is not itself owned or controlled by another Entity**. For purposes of the Qatar Pillar Two Framework, the UPE is determined based on financial accounting consolidation principles: it is the Entity that prepares Consolidated Financial Statements under an acceptable accounting standard, or would be required to do so if its equity interests were publicly traded. The UPE is a CE and serves as the reference point for applying the Revenue Test of EUR 750,000,000, which determines whether the MNE Group falls within the scope of the Qatar Pillar Two Framework. A sovereign wealth fund that is a Governmental Entity is not considered as a UPE.

The UPE plays a central role because it is generally the Entity required to apply the IIR and compute and pay any Top-Up Tax on low-taxed foreign CE's. The UPE also defines the Entity perimeter for Pillar Two purposes, which drives jurisdictional ETR calculations, allocation of GloBE Income and Adjusted Covered Taxes, and identification of other GloBE Entity types such as Constituent Entities, Joint Ventures, and Excluded Entities. As the starting point of the Pillar Two charging mechanism, the UPE's location, ownership structure, and consolidation profile directly influence how and where global minimum tax obligations arise within the Group.

Example 11

Company Q, located in Qatar, is publicly traded, and line-by-line consolidates a number of other Entities located outside Qatar. Company Q is not line-by-line consolidated into any other Entity. Accordingly, Company Q will be regarded as the UPE of an MNE Group.

Intermediate Parent Entity (“IPE”)

An IPE is defined in the Qatar Pillar Two Framework as a CE - other than a UPE, a POPE, GloBE PE, or Investment Entity - that owns (directly or indirectly) an Ownership Interest in one or more other CEs within a MNE Group, and is itself controlled by another Entity in the Group (e.g. the UPE or other IPE).

An IPE is important under the Qatar Pillar Two Framework as where it is located in Qatar and the UPE or upper-tier Parent Entity is not located in a jurisdiction that has implemented a Qualified IIR, the Qatar IPE may be required to apply the IIR and collect Top-Up Tax in priority to higher parent entities, including the UPE.

Example 12

An in-scope MNE Group has its **UPE in Country Z**, which wholly-owns and line-by-line consolidates a **holding company, Company Q, in Qatar**. Company Q wholly-owns a

company, Company X, in Country X. In this case, **Company Q is an IPE.** Country Z has not implemented a Qualified IIR. As such, to the extent that the MNE Group does not have an ETR of at least 15% in Country X, Company Q may be required to apply the IIR on the low taxed profits in Country X.

Partially-Owned Parent Entity (“POPE”)

A **POPE** is a **Parent Entity** in an MNE Group that has a **direct or indirect Ownership Interest in at least one CE**, and has **more than 20% Ownership Interests held by persons outside the MNE Group.**

A POPE is significant under the Qatar Pillar Two Framework because, when it is the lowest-tier Parent Entity located in a jurisdiction with a Qualified IIR, it may be required to apply the IIR in respect of its Ownership Interest of a low-taxed Entity beneath it. The IIR applies only to the portion of Top-Up Tax corresponding to its allocable Ownership Interest, ensuring alignment with economic ownership and minority investor interests.

Example 13

An in-scope MNE Group has its **UPE in Country Z**, which owns **70% of a holding company, Company Q, in Qatar**, while the remaining **30% is owned by external shareholders.** Company Q owns a **business in Country X, Company X.** In this case, **Company Q is a POPE** — it is located below the UPE, owns Entities which it line-by-line consolidates, but where more than 20% of its shares are owned by shareholders outside the MNE Group. Even where Country Z implements a Qualified IIR, Company Q should apply Qatar’s IIR in priority to the Qualified IIR in Country Z.

Constituent Entity (“CE”)

A **CE** is a core building block of the Qatar Pillar Two Framework. It includes **any Entity or GloBE PE that is part of a MNE Group** and whose financial results are **line-by-line consolidated in the Consolidated Financial Statements of the UPE**. A CE can be a Parent Entity, a GloBE PE, unless it qualifies as an **Excluded Entity**. The classification depends on **consolidation and group membership**, not on local legal form or tax status. A CE also includes an Entity that is not line-by-line consolidated solely on size or materiality grounds, or on the grounds that the Entity is held for sale.

The determination of a CE is central to the Qatar Pillar Two Framework noting that the calculation of Net **GloBE Income, Adjusted Covered Taxes, and the ETR** are calculated firstly at a CE level, and then aggregated at a jurisdictional level. The results of these calculations determine whether a jurisdiction is **low-taxed** (below the 15% ETR) and whether a **Top-Up Tax applies**. In other words, Pillar Two does not test the ETR of the entire MNE Group as one — it tests each **jurisdiction based on the aggregated results of all CEs located in that jurisdiction**, making the identification of CEs critical for compliance and minimum tax outcomes.

Example 14

An in-scope MNE Group has its **UPE in Country X**, which has wholly-owned and line-by-line consolidated subsidiaries in Qatar, namely **Company Q1 and Company Q2**. In turn, **Company Q1 has a GloBE PE in Country Z**. For Qatar Pillar Two Framework purposes, the **CEs** are: **(i) the UPE in Country X**, because it prepares the Group’s Consolidated Financial Statements, **(ii) Company Q1 and Company Q2 in Qatar**, as they are fully consolidated, and **(iii) the GloBE PE of Company Q1 in Country Z**.

GloBE Joint Venture (“GloBE JV”)

Under the Qatar Pillar Two Framework, a **GloBE Joint Venture (“GloBE JV”)** has a **specific and autonomous definition**, which differs from how the term “joint venture” is commonly used in business or accounting contexts. For Qatar Pillar Two Framework purposes, a **GloBE JV means an Entity in which the UPE holds, directly or indirectly, at least a 50% Ownership Interest**, and which is **accounted for under the equity method in the Consolidated Financial Statements of the UPE**, rather than line-by-line consolidated. If these conditions are met, the Entity is a GloBE JV, regardless of whether it is legally labelled a joint venture under domestic law, shareholder agreements, or accounting descriptions. Importantly, an Entity that is line-by-line consolidated in the Consolidated Financial Statements of the UPE is **not** a GloBE JV for Qatar Pillar Two Framework purposes, but rather a CE (even if it is not ultimately wholly-owned by the UPE).

“**Ownership interest**” is a critical concept in determining whether an Entity qualifies as a GloBE JV under the Qatar Pillar Two Framework. “Ownership interest” is understood not merely as the legal holding of shares, but as a broader concept encompassing economic rights and control. Specifically, an Ownership Interest includes any equity interest - such as shares, participations, or equivalent instruments - that carries rights to profits, capital, reserves in an Entity.

For Qatar Pillar Two Framework purposes, a **GloBE JV** and all of its **subsidiaries (“JV Subsidiaries”)** together form a **separate testing perimeter defined as a “JV Group”**. The **JV Group is treated as if it were a separate MNE Group** for the purposes of applying the Qatar Pillar Two Framework, meaning it performs its own **GloBE Income computation, Adjusted Covered Taxes determination, jurisdictional ETR calculation, and Top-Up Tax assessment**, independently from the main MNE Group. A JV Subsidiary is any Entity whose financial results are **line-by-line consolidated into the GloBE JV’s financial statements**. Accordingly, the JV Group may be located in multiple jurisdictions, just like an MNE Group.

Example 15

An in-scope MNE Group has its UPE in Country X, which owns a wholly-owned and line-by-line consolidated subsidiary, Company Q in Qatar and 50% of an equity-accounted company (“JVCo”) in Country Z. The remaining 50% is owned by external investors. JVCo owns a wholly-owned and line-by-line consolidated subsidiary (“JV Sub”) in Qatar.

For Qatar Pillar Two Framework purposes, Company Q and JV Sub are both located in Qatar. JVCo and JV Sub constitute a distinct JV Group. This JV Group is assessed as a separate MNE Group, calculating its ETR and Top-Up Tax independently from the main MNE Group. The profits and taxes of the JV Group are not combined with those of the broader MNE Group in Qatar. As a result, Company Q and JV Sub are considered, for Qatar Pillar Two Framework purposes, as if they belong to separate MNE Groups.

Example 16

The UPE of Group A is in Country A. Group A owns 60% of equity-reported company (“JVCo”) in Qatar, and the remaining 40% is owned by unrelated investors. JVCo consolidates its own subsidiaries in Qatar and Country Z, and JVCo prepares its own Consolidated Financial Statements. Over the last four fiscal years, the consolidated revenue attributable to the JVCo subgroup exceeds €750,000,000 in at least two years. Although JVCo is referred to commercially as a “joint venture,” it does not qualify as a GloBE JV, because it meets the €750 million revenue threshold on its own consolidated basis and therefore constitutes an MNE Group in its own right under the Qatar Pillar Two Framework.

Minority-Owned Constituent Entity (“MOCE”)

A **MOCE** means a CE where the **UPE has a direct or indirect Ownership Interest in that Entity of 30% or less**. Despite having significant external ownership, the Entity is still **line-by-line consolidated in the UPE’s Consolidated Financial Statements**, which is why it remains a CE for Qatar Pillar Two Framework purposes.

Example 17

The UPE of an in-scope MNE Group in Qatar holds 30% of Company A in Country A, while 70% is owned by multiple different small investors outside the MNE Group. Company A is line-by-line consolidated into the UPE’s Consolidated Financial Statements, therefore it meets the definition of a MOCE. Country A has not implemented any of the Pillar Two rules. Company A is low-taxed, and in applying the provisions of Qatar’s IIR has EUR 10,000,000 of Top-Up Tax at the jurisdictional level in Country A. Because Company A is a MOCE, the UPE applies the IIR only to its allocable Ownership Interest, meaning the UPE is liable to collect 30% of the Top-Up Tax (EUR 3,000,000), while the remaining 70% is excluded from the IIR charge, as it relates to ownership interests held outside the MNE Group. This reflects the core Qatar Pillar Two Framework principle that Top-Up Tax is imposed under the IIR on the portion of low-taxed income economically attributable to the MNE Group.

Flow-Through Entity (“FTE”)

A **FTE** under the Qatar Pillar Two Framework is an Entity that is fiscally transparent with respect to its income, expenditure, profit, or loss in the jurisdiction where it was created.

Tax Transparent Entity (“TTE”)

A **TTE** under the Qatar Pillar Two Framework is a FTE that is fiscally transparent with respect to its income, expenditure, profit, or loss in the jurisdiction where its owner is located. This means that, for the owner’s jurisdiction, the income, profits, or losses of the TTE are treated as those of the owner.

A TTE is identified based on the tax treatment under the tax laws of the jurisdiction in which the owner is located: if at least one direct or indirect owner treats the Entity as fiscally transparent under its tax laws, the Entity is a TTE for that owner’s share. This differs from a FTE, which is defined based on fiscal transparency in the jurisdiction in which the Entity was created.

4. Excluded Entities

Under the Qatar Pillar Two Framework, certain Entities are designated as **Excluded Entities** and are not considered as CE, even though they may be line-by-line consolidated in the Consolidated Financial Statements of the UPE of an in-scope MNE Group.

The exclusion is determined based on the nature and function of the Entity, not on revenue size or group structure, and is intended to remove from scope those Entities that are institutionally tax-neutral or serve public, policy, or pooled investment functions.

Governmental Entities

An Entity that is part of or wholly owned by a government (including any political subdivision or local authority), whose principal purpose is to fulfill a government function or manage/invest government assets, does not carry on a trade or business, is accountable to the government, and whose assets vest in the government upon dissolution.

International Organizations

Any intergovernmental organization (including supranational organizations) or wholly owned agency/instrumentality thereof, that is comprised primarily of governments, has a headquarters or similar agreement with its jurisdiction, and whose income cannot inure to the benefit of private persons.

Non-Profit Organizations

An Entity established and operated exclusively or almost exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational, or similar purposes, or as a professional or civic organization, with substantially all income exempt from tax, no private benefit, and assets that revert to a non-profit or government upon dissolution.

Pension Funds

An Entity established and operated exclusively or almost exclusively to administer or provide retirement and ancillary benefits, regulated as such, or whose benefits are secured by national regulations and funded by a fiduciary arrangement or trust. Includes Pension Services Entities.

Investment Funds (that are Ultimate Parent Entities)

An Entity designed to pool assets from multiple investors (some unconnected), invests according to a defined policy, is primarily for generating investment income/gains, is subject to regulatory oversight, and is managed by professionals. To be excluded, the Investment Fund must be the Ultimate Parent Entity of the Group.

Real Estate Investment Vehicles (that are Ultimate Parent Entities)

An Entity that holds predominantly immovable property, is widely held, and achieves a single level of taxation either at the entity or investor level (with at most one year of deferral). To be excluded, the vehicle must be the Ultimate Parent Entity.

Certain Holding Vehicles (95% Test)

Entities at least 95% owned (directly or through a chain of Excluded Entities, other than a Pension Services Entity) by one or more Excluded Entities, and that operate exclusively or almost exclusively to hold assets or invest funds for the benefit of Excluded Entities, or only carry out activities ancillary to those of Excluded Entities.

Entities Meeting Specific Income and Ownership Tests (85% Test)

Entities at least 85% owned (directly or through a chain of Excluded Entities, other than a Pension Services Entity) by one or more Excluded Entities, where substantially all income is Excluded Dividends or Excluded Equity Gain or Loss that is excluded from the computation of Global Anti-Base Erosion Income or Loss.

Implications

An **Excluded Entity** remains included for purposes of determining whether an MNE Group meets the **€750,000,000 consolidated Revenue Test**, because the Revenue Test relies on the MNE Group's Consolidated Financial Statements before scope exclusions are applied. However, once the MNE Group determined to be in scope, an Excluded Entity is **removed from all Qatar Pillar Two Framework computations**, meaning **its income, losses and Adjusted Covered Taxes are not included** in jurisdictional ETR calculations, it is **not subject to the DMTT or the IIR**, and is not subject to administrative obligation under the Qatar Pillar Two Framework. The exclusion applies solely at the level of the Excluded Entity and does **not extend automatically to its subsidiaries**, unless they independently meet the Excluded Entity criteria.

Special Zones

Companies licensed by the Qatar Financial Centre, the Qatar Free Zones Authority, the Qatar Science and Technology Park or Qatar Media City are covered by the provisions of the Qatar Pillar Two Framework. The Qatar Pillar Two Framework ensures that Qatar DMTT and IIR regime can be applied uniformly to all CE's, GloBE PE's, or GloBE JV's located in Qatar, including those that are licenced by special zones.

Example 18

The UPE of a MNE Group (Group X) is located in Country X and prepares Consolidated Financial Statements showing consolidated revenue above €750,000,000 for each of the last four Fiscal Years. Group X has two wholly owned and line-by-line consolidated CE's located in Qatar; one is incorporated with the Ministry of Commerce and Industry (Company Q1) while the other is licenced by the Qatar Financial Centre Authority (Company Q2). The Net GloBE Income, Adjusted Covered Tax, etc. of Company Q1 and Company Q2 should be aggregated for the purposes of determining the jurisdictional ETR and jurisdictional Top-up Tax in Qatar.

5. Location Rules

The determination of an Entity's **location** is fundamental under the Qatar Pillar Two Framework, as it dictates the jurisdiction in which Net GloBE Income, Adjusted Covered Taxes, and the ETR are calculated, and thus where Top-Up Tax may arise under the Qatar DMTT and the IIR.

The location rules operate independently of domestic law concepts such as tax residence or place of incorporation.

General Rule for Entities

An Entity (other than a FTE or a GloBE PE) that is tax resident in a jurisdiction based on its place of management, creation, or similar criteria, is considered located in that jurisdiction for Qatar Pillar Two Framework purposes.

If a CE is regarded as tax resident in more than one jurisdiction (a **dual-located Entity**), its jurisdictional location is determined through a prioritized set of tie-breaker rules.

First, if the two jurisdictions have an **applicable Double Tax Treaty in force**, the Entity is located in the jurisdiction where it is treated as a **deemed resident under the Double Tax Treaty**. If the Double Tax Treaty requires a **Competent Authority mutual agreement** to determine residence and no such agreement exists, or if the Double Tax Treaty **does not relieve double taxation because the Entity is a resident of both Contracting States**, the Double Tax Treaty tie-breaker fails and the **Second test (described below) shall apply**.

Second, where no applicable Double Tax Treaty determines residence (or the Double Tax Treaty fails to resolve it), the Entity is located in the jurisdiction where it **paid the higher amount of Covered Taxes** for the Fiscal Year (excluding taxes paid under a **CFC Regime**). If Covered Taxes are **equal or zero in both jurisdictions**, the tie breaks in favor of the jurisdiction where the Entity has the **greater Substance-based Income Exclusion** calculated on an **Entity-by-Entity basis**. If **Substance-based Income Exclusion** is also **equal or zero**, the Entity is treated as a **Stateless Constituent Entity**, unless it is the **UPE**, in which case it is deemed located in the jurisdiction where it was **created**.

Example 19

Company A is incorporated in Country A but managed from Country Y, and both countries claim it as a tax resident. There is a Double Tax Treaty between Country A and Country Y with a tie-breaker rule, which clearly determines that under that Double Tax Treaty

Company A is tax resident in only one country. Company A's location for Qatar Pillar Two Framework purposes is determined by the Double Tax Treaty tie-breaker.

GloBE Permanent Establishments

A GloBE Permanent Establishment is considered to be located in the jurisdiction where it is treated as a permanent establishment and is taxed under an applicable Tax Treaty in force.

If no Tax Treaty applies, the location of GloBE Permanent Establishment is in the jurisdiction where it is subject to net basis taxation based on its business presence.

Where a GloBE Permanent Establishment is situated in a jurisdiction with no corporate income tax system, its location shall be determined in the jurisdiction where it is situated.

Other GloBE Permanent Establishments, not described above, are considered stateless Permanent Establishments.

6. Charging Mechanisms

Introduction and ordering rules

Under the Qatar Pillar Two Framework, a “charging mechanism” refers to a legal tool that enables the State of Qatar to impose a Top-Up Tax where the jurisdictional ETRs fall below the Minimum Rate of 15%.

Qatar has implemented two Pillar Two charging mechanisms into its domestic law: a DMTT intended to secure primary taxing rights over low-taxed income arising within the State of Qatar, and an IIR, enabling Qatar to impose Top-Up Tax on low-taxed foreign CE's or GloBE JV's where a Parent Entity is located in Qatar.

The ordering of application follows the GloBE hierarchy, under which a DMTT applies first, as a domestic levy that protects source taxing rights. Only once the DMTT has been

applied and computed does the IIR apply on a residual basis, solely to the extent that any low-taxed income within the MNE Group has not already been fully brought up to the Minimum Rate.

DMTT

In simplified terms, the DMTT operates by enabling the State of Qatar to calculate the jurisdictional ETR for CE's or GloBE JV's located in Qatar and to impose a Top-Up Tax domestically where the ETR is below 15%, effectively topping up the tax in Qatar and preventing other jurisdictions from taxing that same low-taxed income under the IIR. The DMTT thus ensures that Qatar's taxing rights over low-taxed income arising within its jurisdiction are protected in priority to the application of the IIR by other jurisdictions.

Under the Qatar Pillar Two Framework, the DMTT applies on 100% of the Excess Profits of a CE, even if not wholly-owned by a Multinational Entity Group; as well as on 100% of the Excess Profits of a GloBE JV.

IIR

The IIR, in turn, operates as a foreign income inclusion mechanism applied at the level of a Parent Entity located in Qatar, requiring the Parent Entity to compute and collect Top-Up Tax on low-taxed income of CE's or GloBE JV's located outside Qatar, but only to the extent that such income has not already been subject to a Qualified DMTT or another Qualified IIR higher in the ownership chain, or by a lower-tier POPE. This ensures that Top-Up Tax is imposed once, at the correct point in the ownership hierarchy, and in accordance with the GloBE allocation rules and the ordering of application set out in the Qatar Pillar Two Framework.

7. Overview of GloBE Tax Base Determination and Jurisdictional Top-Up Tax Computation

Determining GloBE Income or Loss by Constituent Entity or GloBE JV

Under the Qatar Pillar Two Framework, the computation begins at the level of each CE or GloBE JV, starting from its Financial Accounting Net Income or Loss as reflected in the Consolidated Financial Statements of the UPE of the MNE Group, subject to the certain adjustments. These GloBE Adjustments align the tax base across jurisdictions by neutralizing income and expenses that could distort minimum tax outcomes, including specific treatments for Excluded Dividends, Excluded Equity Gain or Loss, Policy Disallowed Expenses, Prior Period Errors, and other items prescribed under the Resolution.

The result of these adjustments is the GloBE Income or Loss, which forms the starting point for jurisdictional blending and minimum tax analysis, but does not itself determine tax liability until combined with Adjusted Covered Taxes and other GloBE calculations.

Identifying and Adjusting Covered Taxes

Once GloBE Income or Loss is established, the next step is to identify Adjusted Covered Taxes, being taxes on income or profits, including certain taxes imposed in lieu of a generally applicable corporate income tax, while explicitly excluding non-Covered Taxes such as VAT, payroll taxes, customs duties, and other non-income-based charges.

Adjusted Covered Taxes are adjusted to reflect timing and attribution differences under the GloBE Rules, including the treatment of deferred tax, uncertain tax positions, and taxes attributable to GloBE PEs or FTE's. These adjustments ensure that only Adjusted Covered Taxes properly associated with GloBE Income or Loss are included, and that jurisdictional ETR outcomes reflect economic tax burdens rather than differences in domestic tax design.

Computing Jurisdictional ETR

The Jurisdictional ETR is computed by aggregating the Net GloBE Income or Loss of all CE's located in the same jurisdiction and dividing the total Adjusted Covered Taxes by that aggregated Net GloBE Income. The ETR calculation is jurisdictionally blended, meaning profits and taxes of CE in the same location are aggregated, unless special segregation rules apply, such as for MOCE or JV Groups. The resulting ETR is then compared to the Minimum Rate of 15% to determine whether the jurisdiction is low-taxed for purposes of the Qatar Pillar Two Framework. A Top-up Tax percentage is then calculated being the difference between the Minimum Rate and the actual ETR, assuming the variance is a positive value.

Applying the Substance-Based Income Exclusion

If a jurisdiction is considered low-taxed, the Qatar Pillar Two Framework permits a notional expense from the Net GloBE Income using the Substance-Based Income Exclusion, which deducts a set return on eligible payroll and eligible tangible assets.

The Substance-Based Income Exclusion is designed to carve out income attributable to substantive economic activity and applies through fixed percentage of the underlying expense or asset value. This exclusion does not affect the ETR calculation itself, but reduces the portion of income on which a Top-Up Tax may ultimately be charged. Specifically the Substance-Based Income Exclusion is calculated based on a percentage of Eligible Payroll Costs and Eligible Tangible Assets. For Fiscal Year 2025 the relevant percentages are as follows:

- 9.6% of Eligible Payroll Costs, reducing gradually to 5% by Fiscal Year 2033
- 7.6% of Eligible Tangible Assets, reducing gradually to 5% by Fiscal Year 2033

The Substance-Based Income Exclusion is deducted from the Net GloBE Income to get to an Excess Profit.

Calculating the Jurisdictional Top-Up Tax

The Top-up Tax is calculated through the following formula:

$$\text{Excess Profit} \times \text{Top-up Tax percentage}$$

8. Overview of Adjusted Covered Taxes

Taxes That Qualify as Adjusted Covered Taxes

Adjusted Covered Taxes broadly include taxes levied on net income or profits and certain taxes imposed in lieu of a generally applicable corporate income tax, and which are appropriately reflected in the financial statements. A Tax refers to a compulsory unrequited payment to the General Government. Common examples include corporate income tax and capital gains tax.

The General Tax Authority considers the below categories as examples of Adjusted Covered Taxes levied in Qatar:

- **State Income Tax Law:** taxes imposed under the State Income Tax Law or, in the case of the energy sector, under Exploration and Production Sharing Agreements or Joint Venture Agreements, being imposed on the net profit of a taxpayer, should constitute an Adjusted Covered Tax under the Qatar Pillar Two Framework.
- **Qatar Financial Centre:** taxes imposed under the Qatar Financial Centre Tax Regulations, being imposed on the net profits of a Qatar Financial Centre licenced Entity should constitute an Adjusted Covered Taxes under the Qatar Pillar Two Framework.

- **Withholding Taxes** are treated as Adjusted Covered Taxes to the extent that they are imposed on income received by a Constituent Entity and are included in the computation of GloBE Income or Loss. Please read section '*Treatment of Withholding Taxes, Including on Dividends*'.
- **The Sports and Social Levy**, imposed under Law No. 13 of 2008 at a rate of 2.5% on the net profits of Entities listed on the Qatar Stock Exchange. On the basis that this levy is calculated on net profits and is paid to the General Tax Authority, the General Tax Authority considers that the Sports and Social Levy constitutes an Adjusted Covered Tax under the Qatar Pillar Two Framework.

Taxes Explicitly Excluded from Adjusted Covered Taxes

Taxes that do not qualify as an Adjusted Covered Taxes under the Qatar Pillar Two Framework include levies that are not based on income, even if economically linked to commercial activity. Examples include Value-Added Tax, sales tax, payroll and social security taxes, customs duties, stamp duties, environmental levies, property taxes, and digital services taxes.

Penalties, interest on tax payments, and uncertain tax provisions that have not crystallized into fixed liabilities are also excluded. Additionally, taxes paid by an Excluded Entity are not included in GloBE computations, as such entities fall entirely outside the GloBE calculation.

Treatment of Withholding Taxes, Including on Dividends

Withholding Taxes require differentiated analysis under the Qatar Pillar Two Framework. Withholding Tax on interest, royalties, and other deductible or taxable outbound payments is generally treated as a Adjusted Covered Tax for the payee (as opposed to

the payor), because it represents taxation of the recipient's income and is allocated to the payee jurisdiction when computing the Jurisdictional ETR.

However an exception applies to Withholding Tax on dividends which is allocated to the payor Entity.

Example 20

Company A in Country A (a CE) distributes a dividend to its Parent Entity in Qatar. Country A imposes 10% Withholding Tax on the dividend. The Withholding Tax is allocated to Company A rather than to the Parent Entity.

Example 21

Company A in Country A (a CE) pays interest to a related lender in Qatar. Country A imposes 10% Withholding Tax on the interest payment. Unlike dividends, interest received by the lender ordinarily constitutes GloBE Income, unless a specific exclusion applies. Because the underlying income is included in the GloBE tax base, the related Withholding Tax is treated as an Adjusted Covered Tax and is allocated to Qatar, the jurisdiction where the interest income is recognized for GloBE purposes. Accordingly, the 10% WHT increases the Adjusted Covered Taxes of Qatar and is taken into account when computing the jurisdictional ETR for Qatar.

Adjustments, Allocation and Attribution Principles

Adjusted Covered Taxes must undergo GloBE Adjustments to ensure that taxes align with the income to which they relate and the period in which that income is recognized. This includes adjustments for deferred tax movements, timing differences, uncertain tax positions, GloBE PE allocations, and taxes incurred by FTE's or TTE's, which are reassigned to the jurisdictions of the relevant owners rather than the Entity itself when transparency applies. Taxes must be allocated to the same jurisdiction as the corresponding GloBE Income, ensuring that Jurisdictional ETR outcomes reflect true economic taxation rather than mismatches arising from domestic tax design or cross-border payment flows.

9. Safe Harbors and Exclusions

Introduction

The Qatar Pillar Two Framework incorporates specific Safe Harbour provisions and Exclusions. These mechanisms are designed to simplify compliance and, in certain circumstances, may eliminate the obligation to pay a Top-Up Tax Amount for a given Fiscal Year. Some Safe Harbours are transitional in nature and apply only for a limited period following the initial implementation of the GloBE Rules in the State of Qatar.

Transitional CbCR Safe Harbor

The Transitional Country-by-Country Reporting (“CbCR”) Safe Harbour is a temporary compliance simplification mechanism. Its purpose is to reduce the compliance burden for MNE Groups during the initial implementation period of the GloBE Rules by permitting the deferral of detailed GloBE computations in jurisdictions that meet specified low-risk criteria.

Where the Transitional CbCR Safe Harbour applies, a jurisdiction is deemed to satisfy the Minimum Rate for the relevant Fiscal Year, and no Top-Up Tax is computed. The regime relies on having a Qualified CbCR and use of Qualified Financial Statements.

The Transitional CbCR Safe Harbour is available on an elective basis for **Fiscal Years beginning on or before 31 December 2026 but not including any Fiscal Year ending after 30 June 2028**. This Safe Harbour is applied on a jurisdiction-by-jurisdiction basis, such that an MNE Group may qualify in certain jurisdictions but not others.

Once a jurisdiction fails to meet the Safe Harbour requirements for a given Fiscal Year, it is precluded from re-entering the Safe Harbour for that jurisdiction in subsequent years, in accordance with the “**once out, always out**” principle.

A jurisdiction qualifies for the Transitional CbCR Safe Harbour if any one of the following tests is satisfied, based on a Qualified CbCR and simplified computations:

- **The De Minimis Test:** The jurisdiction’s Total Revenue is less than EUR 10,000,000 and Profit (Loss) before Income Tax is less than EUR 1,000,000, or there is a loss in the jurisdiction.
- **The Simplified Effective Tax Rate Test:** The jurisdiction’s Effective Tax Rate, determined using simplified Covered Taxes divided by Profit (Loss) before Income Tax, equals or exceeds the transitional threshold (15% for Fiscal Years beginning in 2023 and 2024, 16% for Fiscal Years beginning in 2025, and 17% for Fiscal Years beginning in 2026).
- **The Routine Profits Test:** The jurisdiction’s Profit (Loss) before Income Tax does not exceed the Substance-based Income Exclusion amount.

Satisfaction of any single test results in the jurisdiction being deemed to meet the Minimum Rate for the Fiscal Year, and the Top-Up Tax Amount is deemed to be zero.

The Transitional CbCR Safe Harbour relies on a Qualified CbCR, Qualified Financial Statements, and, where necessary, supplementary data prepared on a basis consistent with the CbCR filing. The data must be reliable, complete, and consistent with the results of financial consolidation.

The Safe Harbour does not override the Qatar Pillar Two Framework for the classification of CE's, including the treatment of FTE's, GloBE PE's, GloBE JV, or Excluded Entities, all of which must be analyzed under the Qatar Pillar Two Framework prior to the application of the Safe Harbour.

Example 22

An in-scope MNE Group has a number of CEs in Qatar. Based on Qualified CbCR data for the Fiscal Year, the aggregated results of all CEs in Qatar reflect EUR 8,000,000 in revenue, but a loss before income tax. As both jurisdictional revenue is below EUR 10,000,000 and profit does not exceed EUR 1,000,000, this MNE Group satisfies the De Minimis Test under the Transitional CbCR Safe Harbour in Qatar.

Example 23

An in-scope MNE Group has operations in Qatar, where CbCR reporting shows EUR 200,000,000 in revenue and EUR 30,000,000 in profit (loss) before income tax for the Fiscal Year ending 31 December 2025. Covered Taxes reported and adjusted under simplified Transitional CbCR Safe Harbour rules amount to EUR 5,000,000. The jurisdictional Simplified ETR is therefore 16.6% $((5 / 30) \times 100\%)$. Because the rate exceeds the Transitional Safe Harbour threshold of 16% (applicable for Fiscal Years starting in 2025), the MNE Group meets the Simplified ETR Test in Qatar.

Example 24

An MNE Group has CEs in Qatar generating EUR 50,000,000 of revenue and EUR 4,000,000 of profit before income tax. The workforce and tangible asset profile of all CE's in Qatar produces an estimated Substance-based Income Exclusion of EUR 5,000,000. Because jurisdictional profit in Qatar of EUR 4,000,000 does not exceed the Substance-based Income Exclusion amount (EUR 5,000,000), the MNE Group meets the Routine Profits Test in Qatar.

De Minimis Exclusion

The De Minimis Exclusion is a jurisdictional relief mechanism. Its purpose is to eliminate the obligation to compute a Top-Up Tax Amount in jurisdictions where the **scale of business activity is below defined materiality thresholds**.

The De Minimis Exclusion removes qualifying jurisdictions from the Top-Up Tax computation for the relevant Fiscal Year. The exclusion is applied after the determination of Jurisdictional Net GloBE Income or Loss, but prior to the calculation of any Top-Up Tax Amount, and is intended to reduce compliance burdens.

A jurisdiction qualifies for the De Minimis Exclusion for a Fiscal Year if, based on the aggregated financial information of all CE's located in that jurisdiction (including GloBE PE's), both of the following conditions are satisfied:

- Total Revenue in the jurisdiction is less than EUR 10,000,000, and
- Profit (or Loss) before Income Tax in the jurisdiction is less than EUR 1,000,000, or the jurisdiction records a loss.

These thresholds are applied on a jurisdictional basis, not per CE, and must reflect the full aggregation of results for all CE's located in the jurisdiction for Qatar Pillar Two Framework purposes. Data must include the average of the current Fiscal Year and the two preceding Fiscal Years.

Where the De Minimis Exclusion applies, the jurisdiction is deemed to have **no Top-Up Tax liability for that Fiscal Year**, irrespective of its Jurisdictional ETR, and no Top-Up Tax liability arises.

Eligibility must be reassessed annually, based on aggregated jurisdictional results,

and by election. If a jurisdiction fails to meet the De Minimis thresholds in a subsequent Fiscal Year, full computations are required for that jurisdiction for that year. The “once out, always out” principle does not apply.

Example 25

An in-scope MNE Group has CEs in Qatar. The aggregated financial results for all CEs in Qatar show EUR 9,500,000 in revenue and EUR 700,000 (average of current the Fiscal Year and previous two Fiscal Years) in profit before income tax. As jurisdictional revenue is below EUR 10,000,000 and profit is below EUR 1,000,000, the MNE Group qualifies for the De Minimis Exclusion under the Qatar Pillar Two Framework in Qatar.

Initial Phase International Activity Exclusion

An MNE Group that satisfies the conditions of the Initial Phase of International Activity Exclusion is not subject to the DMTT for a Fiscal Year. The Initial Phase of International Activity Exclusion is determined on a Group-wide basis and must be assessed annually.

The Initial Phase of International Activity applies in Qatar for DMTT purposes for a Fiscal Year where the MNE Group meets all of the following conditions:

- the MNE Group has CE’s located in no more than six jurisdictions;
- the aggregate Net Book Value of Tangible Assets located in all jurisdictions other than the Reference Jurisdiction does not exceed EUR 50,000,000 (the Reference Jurisdiction is defined as the jurisdiction in which the MNE Group has the highest total Net Book Value of Tangible Assets);
- none of the ownership interests of the CEs are held by a Parent Entity subject to

- a Qualified IIR of another Jurisdiction;
- other prescribed conditions as may be determined by the General Tax Authority.

The Initial Phase of International Activity applies for a period not exceeding five Fiscal Years, commencing with the first Fiscal Year in which the MNE Group comes within the scope of the GloBE Rules.

Example 26

An MNE Group first comes within the scope of the GloBE Rules in Fiscal Year 2025, in Country X that introduced Pillar Two Framework. The Group has CEs in four jurisdictions – Country X, Country Y, Country Z and Qatar. The UPE is located in Country Z which did not introduce Pillar Two rules. The jurisdiction in which the Group holds the highest total Net Book Value of Tangible Assets in 2025 is Country Z, which is therefore the Reference Jurisdiction. The combined Net Book Value of Tangible Assets located in all jurisdictions other than Country Z is EUR 42,000,000. Because the group: (i) has CE's in less than six jurisdictions, (ii) has less than EUR 50,000,000 of Tangible Assets outside the Reference Jurisdiction, and (iii) the UPE is not located in Qualified IIR country, the conditions for Initial Phase of International Activity Exclusion are met. The relief applies only for the Fiscal Year when all the conditions are met and needs to be tested yearly, until the maximum five-year period expires.

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