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# Pillar Two in the GCC

Implementation & Compliance Snapshot



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# Why pillar two was introduced

**Pillar Two introduces a Global Minimum Tax (GMT) to ensure that large multinational groups pay a minimum level of tax, regardless of where profits are booked.**



Curb base erosion and profit shifting



Reduce harmful tax competition between countries



Align taxation with real economic activity

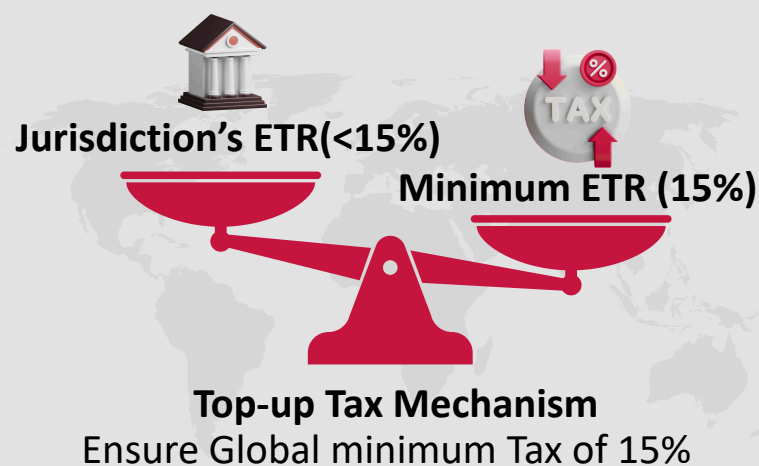


Create a level global tax playing field

▶ **Minimum benchmark: 15% Effective Tax Rate (ETR)**

▶ **Tested jurisdiction-by-jurisdiction, not entity-wise**

# Overall design of pillar two



**How the Framework Is Structured**  
Pillar Two works by topping up tax whenever a jurisdiction's ETR falls below 15%.

## The system is built around:



A jurisdictional ETR computation **1**

**2** A top-up tax mechanism



A rule ordering hierarchy **3**

## Pillar Two operates through three core mechanisms:



Domestic rules **1**

**2** Parent-level rules



Backstop rules **3**

# QDMTT EXPLAINED

## Qualified Domestic Minimum Top-Up Tax



The QDMTT allows a country to



**Impose top-up tax locally**  
**Before** another country applies IIR or UTPR

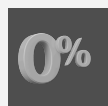
### Why it matters:




Protects domestic tax base



Prevents foreign jurisdictions from collecting top-up tax



Especially relevant for low or zero-tax jurisdictions

 **Strategic tool for tax sovereignty**

# The GloBE rules (core engine)

## Income Inclusion Rule (IIR)

### Primary Charging Rule

The IIR requires a parent entity to pay top-up tax on low-taxed subsidiaries.

- Applies at the Ultimate Parent Entity (UPE) level
- Can also apply at Intermediate Parent level
- Activated when subsidiary ETR < 15%



## Undertaxed Payment Rule (UTPR)

### Secondary / Backstop Rule

The UTPR applies only if the IIR does not apply.

- Top-up tax collected by denying deductions
- Tax allocated to UTPR jurisdictions
- Allocation based on number of employees/Tangible assets

Together, these rules

#### STEP 1

Identify low-taxed income



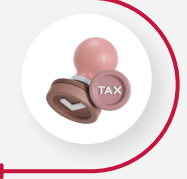
#### STEP 2

Calculate the tax shortfall



#### STEP 3

Allocate the top-up tax to taxing jurisdictions



**These rules only apply once the 15% threshold is breached.**

# Subject To Tax Rule (STTR)

## Treaty-Based Rule (Separate from GloBE)



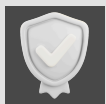
The STTR operates outside the domestic GloBE framework.

### Key Features

- Implemented through double tax treaties
- Applies to specific outbound payments, such as:



Interest



Royalties



Certain service fees

### Trigger Condition



If recipient jurisdiction's nominal tax rate < 9%

### Outcome

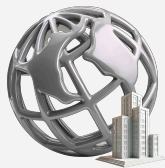


Source country may levy withholding tax

▶ **Mainly relevant for treaties between developing and developed countries**

# Who must comply? (Scope)

## Pillar Two Applicability



Multinational Enterprise (MNE) Groups



With global consolidated turnover exceeding **EUR 750 million**



**This threshold mirrors**



Country-by-Country Reporting (CbCR)



OECD BEPS Action 13 standards

▶ Once crossed → Compliance is **mandatory**, not optional

# Excluded Entities

## Who Is Out of Scope?



The rules explicitly exclude certain entities, including



**PENSION FUNDS**



**INVESTMENT FUNDS**









**INTERNATIONAL SHIPPING SERVICES**

### Rationale:

- These sectors are already subject to specific international tax frameworks
- Their income profiles differ from standard commercial MNEs






► Exclusion *applies only if conditions are met*

# GCC Implementation Snapshot

COUNTRY	LEGISLATIVE STATUS	MECHANISM(S) ADOPTED	EFFECTIVE DATE	REMARKS
 UNITED ARAB EMIRATES	Federal Decree-Law No. 60 of 2023 + Cabinet Decision No. 142/2024	QDMTT	1 January 2025	IIR and UTPR not yet implemented
 QATAR	Law No. 22 of 2024	QDMTT + IIR	1 January 2025	UTPR not yet implemented
 KUWAIT	Kuwait Decree-Law No. 157/2024 + Ministerial Decision No 55/2025	QDMTT	1 January 2025	IIR and UTPR not yet implemented
 BAHRAIN	Decree-Law No. (11) of 2024 + Executive Regulations/Decision No. 172 of 2024	QDMTT	1 January 2025	IIR and UTPR not yet implemented
 OMAN	Royal Decree No. 70/2024	QDMTT + IIR	1 January 2025	UTPR not yet implemented
 SAUDI ARABIA	No official announcement or public legislation yet			






 **Pillar Two compliance is becoming operational in the GCC**


# GCC Compliance Snapshot

COUNTRY	REGISTRATION TIMELINE	FILING TIMELINE	PAYMENT TIMELINE	REMARKS
 UNITED ARAB EMIRATES	Mandatory; deadline is yet to be announced.	15 months from reporting year-end (18 months for transition year)	With top-up tax return	Domestic designated filing entity allowed
 QATAR	Further clarity is expected when the executive regulations are issued			
 KUWAIT	Within 120 days of being in-scope; first-year deadline 30 Sep 2025	15 months after fiscal year-end; must be audited by MoF-approved firm	With top-up tax return	Group registers + each Constituent Entity must register separately
 BAHRAIN	If in scope on 1 Jan 2025 → register by 30 Jan 2025; new entrants within 120 days	15 months from reporting year-end	Quarterly advances within 60 days; final payment within 15 months	The National Bureau for Revenue must be notified of Filing Constituent Entity appointment
 OMAN	Further clarity is expected when the executive regulations are issued			

# GCC Compliance Readiness Actions

Companies operating in the GCC should expect:

-  Additional registrations
-  New data extraction requirements
-  Complex jurisdictional ETR calculations
-  Ongoing Pillar Two filings
-  Increased tax authority scrutiny

 **Pillar Two is not just a tax change, it is a systems change**

# How MCA Can Support

## End-to-End Pillar Two Advisory

- ✔ Executive training & client updates
- ✔ Applicability & impact assessments
- ✔ Pillar Two registration with Tax Authorities
- ✔ Preparation & filing of Pillar Two returns
- ✔ Ongoing advisory & compliance support



# NEED HELP NAVIGATING PILLAR TWO IN THE GCC

We analyse your global structure, jurisdictional ETRs, and identify potential top-up exposures across all GCC countries.



FOR A WORKING SESSION  
CONTACT US AT

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