JBS: Overview of Tax Research Findings

WORLD ANIMAL PROTECTION

Who is JBS?

Based in Brazil, the JBS S.A. group (JBS) is the world's largest meat processor, operating in 20 countries and selling its products in over 100 countries. Its brands include Pilgrim's Pride, Swift, Moy Park and Seara.

The company earns approximately 51% of its annual US$77.2 billion in net revenue within the United States[1].

Currently, JBS has the capacity to slaughter a staggering 9 million lambs, 27 million cows, 53 million pigs and 5 billion chickens per year[2].

The company is not only responsible for inflicting great harm on farmed animals, it has also continually been convicted, fined or settled civil cases relating to breaches of laws and regulations over the past two decades. These include:

- The holding company of JBS' controlling shareholder Batista family agreeing to pay US$3.2 billion in penalties after admitting to giving roughly US$150 million, mostly in bribes, to Brazilian politicians[3]
- The holding company of JBS' controlling shareholder Batista family agreeing to pay US$256 million in fines relating to a conspiracy to violate the anti-bribery provisions of the US Foreign Corrupt Practices Act[4]
- JBS subsidiary Pilgrim's Pride agreeing to pay US$100 million to settle antitrust claims that the company conspired with rivals to underpay U.S. chicken farmers[5]
- JBS agreeing to pay US$83 million to settle antitrust claims that the company conspired with other meat-packing companies to curb supply in the U.S. beef market to artificially inflate prices[6]
- JBS agreeing to pay US$4 million in fines for U.S. child labor violations involving children as young as 13 working in their slaughterhouses[7]
- JBS being fined US$7 million for purchasing cattle from illegally deforested areas[8] in the Amazon state of Pará

In addition to its extensive history of illegality and environmental destruction, JBS has devoted significant effort to creating a complex web of subsidiary companies registered in international tax havens, intertwined with other tax avoidance mechanisms, to shift taxable profit away from jurisdictions like the U.S., U.K., E.U., Canada, Mexico, Brazil and Australia toward low-tax or no-tax jurisdictions including Luxembourg and Malta.

1 US Securities and Exchange Commission, Form F-4, Registration Statement JBS B.V. No. 333-273211, April 11, 2025, page 4 https://www.sec.gov/Archives/edgar/data/1791942/000119312525062845/d654052df4a.htm
2 US Securities and Exchange Commission, Form F-4, Registration Statement JBS B.V. No. 333-273211, April 11, 2025, page 2 https://www.sec.gov/Archives/edgar/data/1791942/000119312525062845/d654052df4a.htm
3 JBS Parent to Pay $3.2 Billion to Settle Corruption Investigations in Brazil - WSJ
4 https://fcpa.stanford.edu/enforcement-action.html?id=818
5 https://www.reuters.com/legal/pilgrims-pride-100-million-settlement-over-chicken-farmers-pay-2024-08-19/
6 https://www.reuters.com/legal/litigation/jbs-pay-835-million-latest-beef-price-fixing-settlement-2025-02-03/
7 Meatpacking Companies to Pay $8 Million for U.S. Child Labor Violations - The New York Times
8 Investors drop Brazil meat giant JBS | Deforestation | The Guardian

A 2024 study by SOMO, the Netherlands-based Centre for Research on Multinational Corporations, exposed a web of JBS-owned Luxembourg-based subsidiary companies that is estimated by SOMO to have allowed JBS to avoid paying between US$221 million and US$442 million in taxes to jurisdictions including the U.S., U.K., Canada, Brazil, Australia and Mexico between 2019 and 2022[9] (2022 being the most recently available Luxembourg financial records at the time of the study).

World Animal Protection subsequently commissioned further tax research, to expand in greater detail on SOMO's findings.

World Animal Protection is greatly concerned that JBS has been able to partly fund the global expansion of its factory farming operations by avoiding the payment of tax to some of its most profitable countries of operation.

In circumstances where JBS has recently received permission to list its shares on the New York Stock Exchange, it is timely to shine a light on JBS' status as a poor corporate tax citizen in the U.S. and its other major operating markets.

NYSE listing

In June 2023 JBS applied to the U.S. Securities and Exchange Commission (SEC) for permission to move its primary stock exchange listing from Brazil's B3 stock exchange to the New York Stock Exchange (NYSE). The SEC approved the proposed transaction on 23 April 2025.

JBS is seeking access to deeper U.S. capital markets to help fund the expansion of its factory farming business model.

It is of significant concern that, at the same time that JBS has sought a favor from the U.S., the company is simultaneously going to inordinate lengths to pay as little tax as possible to the U.S.

As part of the NYSE listing proposal, JBS has created a new holding company for the group - JBS N.V., registered in the Netherlands[10], which is the entity proposed to be listed on the exchange. The Netherlands is ranked 7th in the Tax Justice Network's Corporate Tax Haven Index[11]

Luxembourg subsidiary companies – the PwC advice

In 2019 JBS, together with their advisors PricewaterhouseCoopers (PwC), refused to hand over nearly 44,000 documents to the Australian Tax Office (ATO) as part of an audit, on the grounds that the documents were protected by legal professional privilege. This led the ATO to take PwC and a JBS Australian subsidiary to Federal Court. The case was pursued against a backdrop of alarm within the tax authority over both corporate Australia's heavy use of legal professional privilege to keep documents from it and the marketing of tax minimisation schemes by the big accounting firms including PwC.

As a result of the court's ruling, many internal documents previously labeled private communications between PwC and JBS then became public[12].

Included in that documentation was a 2014 email from a PwC Australia tax partner which quantified the tax benefits he expected a restructure of JBS to reap in the US and Australia. The restructure was expected to save $250 million in US tax and potentially $70 million per year in Australian tax on future profits.

At the start of 2014, prior to the PwC Australia tax partner penning his 2014 email, the JBS global corporate group featured just one subsidiary company registered in Luxembourg. By the end of 2015, that number had grown to 16 Luxembourg registered subsidiary companies.

By 2022, JBS controlled 17 separate subsidiary companies registered in Luxembourg.

Photo above: A group of Nelore cattle herded in confinement in a cattle farm in Mato Grosso state, Brazil. Credit:Alf Ribeiro / Shutterstock

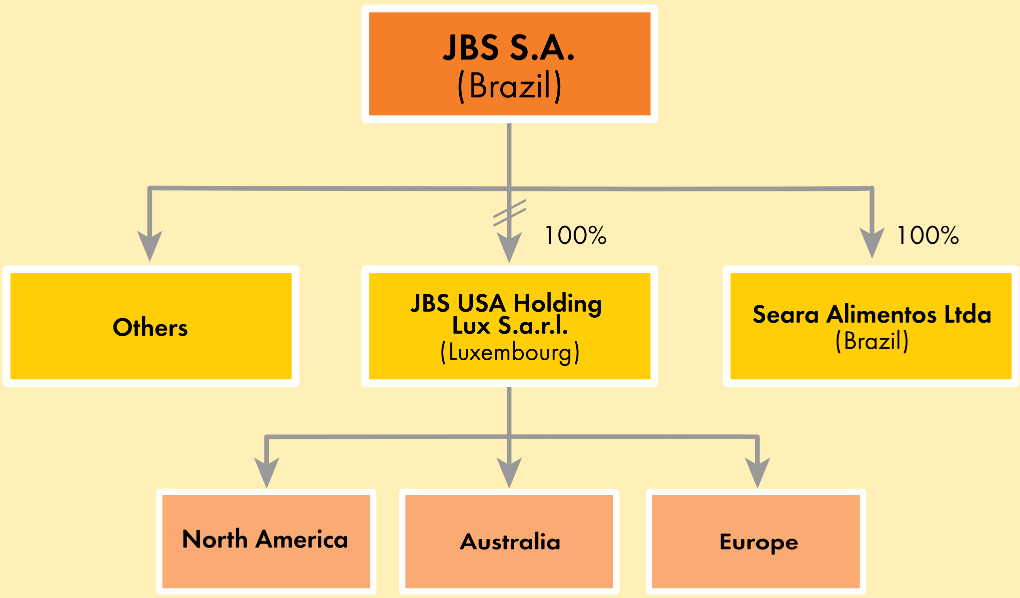
9 SOMO 2025 research report "JBS's global tax avoidance hub: Luxembourg"
10 US Securities and Exchange Commission, Form F-4, Registration Statement JBS B.V. No. 333-273211, April 11, 2025, Explanatory Note https://www.sec.gov/Archives/edgar/data/1791942/000119312525062845/d654052df4a.htm
11 https://taxjustice.net/country-profiles/netherlands/
12 https://www.theguardian.com/australia-news/2022/jun/06/pwc-told-client-it-could-cut-australian-tax-by-70m-court-documents-in-privilege-fight-show

Luxembourg subsidiary companies - utilization

JBS has no actual operating facilities in Luxembourg and only a handful of employees working for these Luxembourg entities. In 2022, only one of these holding companies reported having any employees (five employees in that case), the other 16 companies reported having no employees.

Despite this, these Luxembourg-based JBS entities have ownership over many of JBS' most profitable operations in key markets like the U.S., Australia, Canada, Europe and Mexico.

As demonstrated below, JBS has inserted subsidiary companies, mainly Luxembourg-registered, between the parent company JBS S.A. of Brazil and most of the operating assets in its major operating jurisdictions.



Source: JBS S.A. (2024). Annual Report 2023 Form 20-F (No. 333–155412). US SEC, page 68

Between 2019 and 2022, only six JBS holding companies in Luxembourg paid any corporate income tax of those which were active during that four-year period. In the same period, four companies even received corporate income tax credits. This resulted in a net amount of US$0.5 million of corporate income tax being collectively paid by those JBS subsidiary companies in Luxembourg from 2019-2022.

During the same period, those active Luxembourg-based subsidiary companies recorded approximately US$2.8 billion in pre-tax profits. These profits largely consisted of intercompany dividends and interest payments received from offshore, ie profit shifted to Luxembourg from other jurisdictions in which JBS operates.

Profit shifting via intercompany loans

An important finding from the SOMO study is that JBS engages in profit shifting through interest payments on intercompany loans at divergent interest rates.

Photo above: Typical of large-scale chicken farms that supply broiler chickens to restaurants and to corporate supermarket chains for local and international distribution. This farm has two rearing sheds at this location with approximately 22,000 30-day-old juvenile chickens per shed.

JBS entities registered in the U.S. (Delaware) and Malta provided JBS' Luxembourg subsidiary companies with billions of dollars in capital, through loans with limited (or in a number of cases zero) interest rates. These Luxembourg-based JBS subsidiary companies then provide loans to JBS entities in key operating markets like the U.S., U.K., Ireland, Australia, Brazil and Mexico at much higher interest rates. The differential between those interest rates was then captured as profit within the Luxembourg entities.

The JBS entities in these key operating markets subsequently paid substantial amounts of interest on the loans. For the period 2019-2022, SOMO traced between US$1.5 billion and US$2.2 billion in annual intercompany interest payments collected by the JBS entities in Luxembourg.

For example, SOMO detected annual interest payments totalling almost US$200 million, paid by JBS USA Food Company (Delaware) to JBS USA Lux S.A. (Luxembourg). The interest payments are accounted for as a cost for tax purposes on the payer side (in the U.S.), and as income on the side of the receiver (Luxembourg). Through these interest payments, profits are thus shifted from JBS' key operational markets, including the U.S., to Luxembourg.

JBS entities in Luxembourg effectively pay close to zero in corporate income taxes, thereby making this tax avoidance scheme very lucrative for the JBS group.

The table below details intercompany loans between JBS subsidiary companies in Luxembourg and subsidiary companies in other international jurisdictions where JBS operates.

The loans from JBS subsidiary companies in Malta to JBS subsidiary companies in Luxembourg included US$10.77 billion lent to JBS Luxembourg entities at a zero percent interest rate.

The below also includes over US$5.1 billion in loans from JBS USA Food Company (Delaware) to JBS USA Lux S.A. (Luxembourg) at an average interest rate of 0.30%, some of which was then lent by JBS USA Lux S.A. (Luxembourg) back to JBS USA Food Company (Delaware) at 5.56%

Overview of intercompany loans involving JBS Luxembourg subsidiaries - 2022

JBS Lending Subsidiary-Country	JBS Borrowing Subsidiary-Country	Total Loan Value (US $)	Average Interest Rate
Malta	Luxembourg	US $ 12,300,842,800	0.40%
USA	Luxembourg	US $ 9,476,599,365	0.65%

JBS Lending Subsidiary-Country	JBS Borrowing Subsidiary-Country	Total Loan Value (US $)	Average Interest Rate
Luxembourg	Australia	US $ 1,621,897,412	4.96%
Luxembourg	Brazil	US $ 1,913,000,000	3.11%
Luxembourg	Ireland	US $ 180,000,000	4.50%
Luxembourg	Mexico	US $ 173,565,900	6.40%
Luxembourg	Netherlands	US $ 281,674,542	3.00%
Luxembourg	UK	US $ 1,766,834,482	5.17%
Luxembourg	USA	US $ 1,328,536,694	5.56%

Photo above: Across August and September 2022, World Animal Protection visited Mato Grosso state in Brazil to carry out field monitoring of the fires, to evaluate the impact on wild animals and look for rescue opportunities, working in collaboration with GRAD to increase the rescue capacity of wild animals affected by the fires. Pictured; fires in Nova Mutum Municipality

Profit shifting via intercompany dividends

Dividend flows to and from subsidiary companies are one of the main ways for multinational companies to redistribute profits generated by their operations worldwide. Many countries levy a withholding tax on outgoing dividend payments to foreign entities. To avoid such tax liabilities, many multinationals structure dividend payments, and other financial flows, through holding companies in countries with favorable international tax treaties and favorable domestic tax legislation. These jurisdictions generally do not levy a withholding tax on intercompany dividend payments and do not tax dividend collections received from abroad.

Luxembourg has a vast network of international tax treaties with many countries. One of the effects of many of these treaties is to reduce the amount of withholding tax the treaty-partner countries can charge on intercompany dividend payments being remitted to Luxembourg, in some cases to zero percent. At the same time, Luxembourg's domestic tax legislation does not impose withholding tax on outgoing dividend flows to foreign entities. This creates the perfect context for dividend withholding tax avoidance.

Analysis of available financial statements of JBS's companies in Luxembourg shows significant dividend flows from its global operations are routed via its subsidiary companies in Luxembourg.

Between 2019 and 2022, almost US$11 billion in intercompany dividends flowed through JBS' group of Luxembourg subsidiary companies.

This structure allows dividend payments to circumvent U.S. withholding tax. If the U.S. profit were distributed as a dividend directly to the Brazil-based parent company JBS S.A., a U.S. withholding tax of 30% would need to be paid. However, structuring these dividend payments via Luxembourg-based intermediary holding companies lowers the withholding tax to only 5%.

As a result, U.S. tax authorities are missing out on large sums of tax revenue. Other taxes, like capital gains and corporate income taxes, have been avoided using Luxembourg-based ownership structures, as detailed in the original SOMO report.

Photo above: Typical of large-scale chicken farms that supply broiler chickens to restaurants and to corporate supermarket chains for local and international distribution. The farm has two rearing sheds at this location with approximately 22,000 30-day-old juvenile chickens per shed

Findings / Conclusions

JBS's global tax behavior demonstrates the wide inequities created by the current ecosystem of international tax treaties involving tax havens.

While individual citizens are required to pay what is legislated to be their fair share of the tax burden in a jurisdiction like the U.S., large multinationals like JBS are afforded the opportunity to avoid that same obligation via artificial (but legal) international corporate structures designed either largely or solely for the purpose of reducing and avoiding tax.

The fact that JBS has sought access U.S. capital markets while the company expends significant effort actively seeking to avoid paying tax to that same market which accounts for over half of its revenue, speaks to the corporate privilege assumed by the company.

Principal corporate tax researcher Maarten Hietland, Netherlands

Photo above: World Animal Protection was in New York City to celebrate the Big Apple's annual Climate Week, held from September 17-24 2023. This year's theme is "We Can. Will," an ode to the determination of climate activists to create a better future for Earth's inhabitants. The US team joined forces with our allies at Friends of the Earth US, Rainforest Action Network, and Global Witness outside of the New York Stock Exchange for a press conference calling on the financial sector to oppose JBS's latest attempt to be publicly traded in the US. Allowing JBS on the NYSE opens its universe of potential investors, but the risks to animals, people, and the planet are simply too high. Investments shouldn't support the expansion of animal production; they should direct resources to animal-free and climate-friendly foods!

Photo Credit:World Animal Protection / Justin Durner

Photo above: Across August and September 2022, World Animal Protection visited Mato Grosso state in Brazil to carry out field monitoring of the fires, to evaluate the impact on wild animals and look for rescue opportunities, working in collaboration with GRAD to increase the rescue capacity of wild animals affected by the fires. Pictured; forest fires in SINOP Municipality.

We are World Animal Protection.

We end the suffering of animals.

We influence decision makers to put animals on the global agenda.

We help the world see how important animals are to all of us.

We inspire people to change animals' lives for the better.

We move the world to protect animals.

We strive to end injustice.

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