THE Walmart WEB

HOW THE WORLD'S BIGGEST CORPORATION SECRETLY USES TAX HAVENS TO DODGE TAXES

AMERICANS FOR TaxFairness

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Credits

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AMERICANS FOR TaxFairness

Americans for Tax Fairness is a diverse coalition of 425 national and state endorsing organizations that collectively represent tens of millions of members. The organization was formed on the belief that the country needs comprehensive, progressive tax reform that results in greater revenue to meet our growing needs. ATF is playing a central role in Washington and in the states on federal tax-reform issues.

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Contents

Key Terms Used in this Report

Walmart

Wal-Mart Stores, Inc. is the ultimate parent company of all Walmart-owned entities. As far as can be determined from publicly disclosed documents, the Walmart subsidiaries identified in this report are all consolidated in the financial statements of Wal-Mart Stores, Inc., which is registered in Delaware and has its headquarters in Bentonville, Arkansas. For the sake of readability, the term "Walmart" is generally used to refer to Wal-Mart Stores, Inc.

Tax Haven

Tax havens are jurisdictions with no or nominal taxes and/or whose laws enable companies to avoid taxation by escaping or undermining the laws, rules and regulations of other jurisdictions, using secrecy as a prime tool. This is why Tax-haven jurisdictions are sometimes known as "secrecy jurisdictions." There is no single authoritative list of tax-haven jurisdictions. The overseas tax havens listed in this report were identified by consulting a variety of sources, including the Financial Secrecy Index compiled by the Tax Justice Network and associated country-level reports, a 2015 report by the Congressional Research Service and, in certain cases, by taking into account the specific impacts of treaty arrangements between two countries.

Sarl

The Luxembourg-domiciled subsidiaries identified in this report are all limited liability companies that go by the designation, "société à responsabilité limitée" (formally abbreviated as S.à r.l.). For the sake of readability, we simplify this to "Sarl."

Introduction

Most people know that Walmart is the world's largest corporation. Virtually no one knows that Walmart has an extensive and secretive web of subsidiaries located in countries widely known as tax havens. Typically, the primary purpose for a corporation to set up subsidiaries in tax havens where it has little to no business operations and few, if any, employees is to pay little, if any, taxes and to maintain financial secrecy.

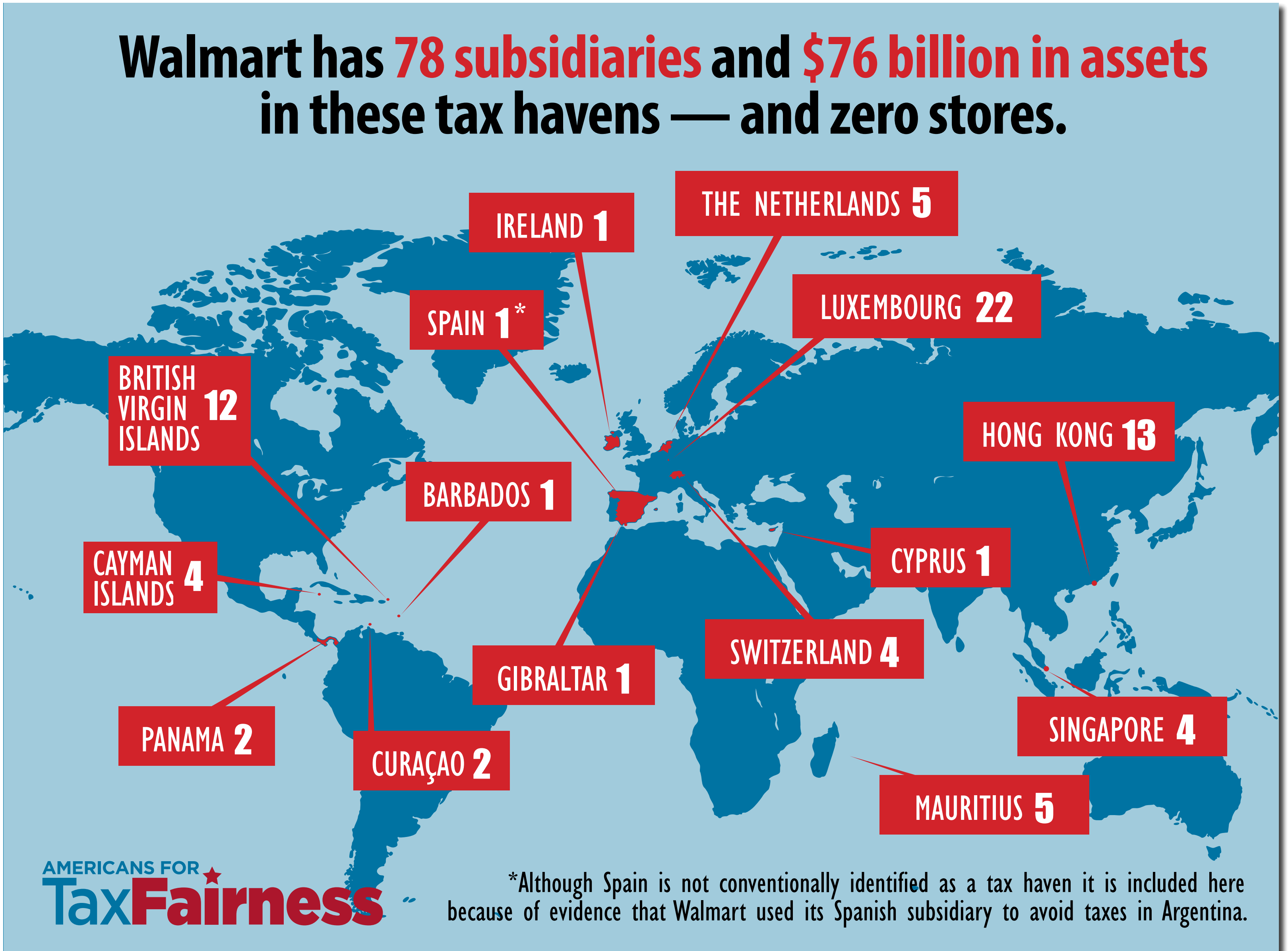
This report reveals that Walmart has placed at least $76 billion worth of assets in 78 subsidiaries located in 15 tax havens in which it has no retail stores (Figure 1). This is the first-ever public documentation of Walmart's subsidiaries in tax havens ("tax-haven subsidiaries"). That's because Walmart has never openly reported their existence in the U.S. Securities and Exchange Commission (SEC) filings where subsidiaries are normally disclosed. Instead, Walmart has kept these tax-haven subsidiaries secretive by burying mention of their existence deep inside of SEC filings and financial documents filed by Walmart subsidiaries all around the world, only some of which are available to the public. Moreover, Walmart gives many of its tax-haven subsidiaries obscure names like "Azure Holdings" or "MCLM III," which turns the simple task of identifying them into a major investigative effort.

Although Walmart's business practices have a profound impact on every corner of the global economy, the company keeps this most basic information about itself effectively hidden from public view. Compiling the data for this report required hundreds of hours of labor to discover these subsidiaries and unearth financial records from Washington to Switzerland, London to Luxembourg, and South Africa to Central America. More research is needed to fully assess the extent of Walmart's web of tax-haven subsidiaries and how Walmart may use it to avoid paying taxes now and in the future.

Walmart's entrance into the world of tax havens is especially notable because the retail industry has not been known for this kind of activity. Rather, the big corporate players in the tax-haven game have historically been high-tech firms, pharmaceutical companies and Wall Street banks. They are able to shift profits offshore relatively easily through a variety of means – chief among them transferring ownership of intellectual property to tax-haven subsidiaries.

This kind of profit shifting is difficult for retailers to accomplish because their business activities and earnings are so clearly tied to retail operations in particular countries. The discovery that Walmart has built an extensive web of tax-haven subsidiaries suggests that a range of exotic international tax avoidance strategies are being adapted in new sectors of the economy.

Figure 1. Count of Walmart subsidiaries in tax havens



Sources: See Appendices A through C

The greatest challenge in preparing this report has been determining the impact that these tax-haven subsidiaries have on how much Walmart may avoid in taxes here at home and across the globe. The large physical footprint of the retail sector makes it impossible for Walmart to achieve the level of tax avoidance, on a percentage basis, that is available to other companies in the high-tech, pharmaceutical and banking sectors.

However, given Walmart's enormous size and characteristically thin profit margins for a retailer (about $16 billion in profits on $486 billion in revenues), even a relatively modest amount of tax avoidance can have a major positive impact on the company's bottom line. This, in turn, can provide Walmart with significant competitive advantages against smaller and more domestically-oriented retailers.

It appears that Walmart's tax haven activities have expanded significantly over the last five years. Unfortunately, it is impossible to determine from publicly available financial statements the extent to which this tax-haven expansion has already affected the company's bottom line – and reduced the tax revenues of governments around the world. In the absence of reforms to the international tax system, including the stricter disclosure requirements proposed in this report, the scope and scale of Walmart's tax avoidance will continue to evade precise calculation.

Key Findings

Walmart has established a vast and relatively new web of subsidiaries in tax havens, while avoiding public disclosure of these subsidiaries.

- Walmart has established at least 78 subsidiaries and branches in 15 overseas tax havens (for purposes of this report, Spain is considered a tax haven because of the way that Walmart used its subsidiary there to avoid taxes in Argentina).
- Walmart's subsidiaries in tax havens have remained largely invisible to even the most knowledgeable experts on corporate tax avoidance. This is partly due to the fact that Walmart has never listed any of them on Exhibit 21 ("Subsidiaries") of the company's annual 10-K filing with the SEC.
- There is a legal requirement to list subsidiaries that account for greater than 10 percent of assets or income, which Walmart may be skirting. Walmart appears to have some subsidiaries that meet the 10 percent disclosure threshold by virtue of their ownership of lower-tier Walmart operating companies or other assets. Nonetheless, Walmart only discloses six foreign subsidiaries, all of which are domiciled in countries where it has retail operations.

Luxembourg is the center of Walmart's web of subsidiaries in tax havens.

Dubbed a "magical fairyland" by one tax expert because of its ability to shelter profits from taxation, Luxembourg has become the tax haven of choice for Walmart and other multinational corporations in recent years.

- Although Walmart does not have a single store in Luxembourg, it has 22 shell companies there, 20 of which have been established since 2009 and five of which were registered in 2015 alone.
- Walmart has transferred ownership of more than $45 billion in assets to its Luxembourg subsidiaries since 2011, including operating companies in Brazil, Japan, Puerto Rico and South Africa. It has a total of $64.2 billion in assets in Luxembourg.
- From 2010 through 2013, Walmart's Luxembourg subsidiaries reported paying less than 1 percent in tax to Luxembourg on $1.3 billion in profits.

Walmart has made tax havens central to its growing International division, which accounts for about one-third of the company's annual profits.

- Most, if not all, of Walmart's foreign operating companies are owned through subsidiaries in tax havens. In 25 out of 27 foreign countries where Walmart has stores and a significant number of employees, the company owns these retail operations through shell companies domiciled in tax havens. These include operations in Central America (690 stores), the United Kingdom (592), Brazil (557), Japan (430), China (411), Chile (404) and South Africa (396). Walmart does not disclose enough information to determine whether this is the case for its operating companies in Mexico (2,298) and Canada (395), but there is evidence to suggest such a possibility.
- Walmart owns $76.6 billion in assets through shell companies domiciled in the tax havens of Luxembourg ($64.2 billion) and the Netherlands ($12.4 billion), which is equivalent to 90 percent of the assets in Walmart's International division ($85.2 billion) or 37 percent of the company's total assets ($204.7 billion). There is no reliable public documentation about the amount of assets held by Walmart in other tax havens.

Walmart's expanded use of tax-haven subsidiaries facilitates tax avoidance.

There is evidence that Walmart uses its subsidiaries in tax havens to pursue well-known international tax avoidance strategies that rely on hybrid financial instruments and complex inter-company debt arrangements.

- During the first half of 2014, Walmart took $2.4 billion in low-interest, short-term loans from subsidiaries in tax havens, thereby providing Walmart affiliates in the United States access to foreign earnings without paying U.S. tax, which may transgress the intent of U.S. law.
- Walmart generates about $1.5 billion worth of tax deductions in Luxembourg each year by making phantom interest payments to Wal-Mart International Holdings, Inc. in the United States. By using what tax planners call a hybrid loan, Walmart effectively makes this income disappear for tax purposes in both Luxembourg and the United States.
- Walmart's use of inter-company debt permits the company to avoid taxes overseas. The company has arranged for some of its foreign operating companies to take out long-term loans from Walmart subsidiaries in tax havens and make tax-deductible interest payments to those subsidiaries. This is commonly referred to as earnings stripping. Walmart strips earnings out of higher-tax countries by taking out inter-company loans and paying interest to itself in tax havens where the interest income is taxed lightly or not at all.

Walmart's long game – from tax deferral to profit windfall.

Walmart's use of these tax-haven subsidiaries minimizes the company's foreign taxes where it has retail operations and permits Walmart to avoid U.S. tax on those foreign earnings. Like other multinational corporations, Walmart may be hoping that the U.S. Congress will reward its use of tax havens by enacting legislation that would allow U.S.-based multinationals to pay little or no U.S. tax when repatriating low-taxed foreign earnings or by adopting a territorial tax system.

- Walmart is stockpiling foreign earnings overseas, presumably to avoid paying U.S. taxes on those earnings. The amount of foreign earnings that Walmart claims as "indefinitely reinvested," and therefore exempt from U.S. tax, has more than doubled from $10.7 billion in 2008, just before Walmart began expanding its network of Luxembourg subsidiaries, to $23.3 billion in 2015. Meanwhile, Walmart's foreign capital spending declined over the same period. This suggests that Walmart may be waiting to formally repatriate those "indefinitely reinvested" earnings until Washington enacts legislation that will allow it to bring those profits back home at a steeply discounted tax rate.

- The United States taxes U.S.-based multinational corporations on their worldwide earnings at a 35 percent rate – after subtracting a dollar-for-dollar tax credit for taxes paid to foreign governments. However, foreign income is not taxed until it is paid to the U.S. parent company (repatriated) as a dividend, or equivalent. This is essentially a giant tax loophole known as deferral, which lets corporations delay paying taxes on foreign profits until they are repatriated to the United States. However, companies may exempt some or all of their foreign earnings from U.S. tax by declaring those earnings to be indefinitely or permanently reinvested overseas, which Walmart does.
- The United States would raise about $60 billion a year in corporate taxes if Congress closed the deferral loophole, according to the congressional Joint Committee on Taxation. Deferral is a primary reason that U.S. corporations' untaxed offshore profits have swelled to $2.1 trillion. Now corporations are demanding that Congress pass legislation that would allow them to bring those profits home at a fraction of the 35 percent corporate tax rate. And President Obama has proposed to require corporations to pay taxes on those offshore profits at just a 14 percent rate, less foreign tax credits, in order to fund highway construction. These proposals would give huge tax breaks on Walmart's offshore profits while demanding more of Main Street businesses and average taxpayers to make up the difference.
- Walmart has been a visible supporter of moving the United States to a territorial tax system, which would eliminate all U.S. taxation of offshore profits. Any profits Walmart and its suppliers earn abroad would be taxed solely by the country in which they are earned or booked. Under a territorial system, Walmart would cut its tax bill significantly if it were able to book a lot of its profits in Luxembourg or other tax havens. Thus, a territorial tax system would provide even more incentives for corporations to shift production and profits offshore.

U.S. and foreign authorities should investigate Walmart's tax avoidance and act to rein in such tax dodging by all multinational corporations.

The findings in this report suggest multiple lines of inquiry with Walmart and reforms that ought to be pursued by the appropriate regulatory authorities and policymakers in the United States and abroad.

- The U.S. SEC should ask Walmart to explain its failure to disclose on Exhibit 21 of its SEC Form 10-K any of the 78 subsidiaries and branches Walmart has in tax havens. As a remedy for that failure, the SEC should also require the company to make public a complete list of its business entities and which of those subsidiaries Walmart has elected to designate as disregarded for U.S. tax purposes, so that investors can better evaluate the company's tax practices.
- The Internal Revenue Service (IRS) should audit Walmart's use of subsidiaries in tax havens, including the transfer of billions of dollars to its tax-haven subsidiaries and its use of various financial instruments to move taxable income out of the United States. The IRS should also analyze Walmart's use of short-term offshore loans to fund some of its U.S. operations without paying repatriation taxes and its deposit of offshore cash in U.S. financial institutions to determine whether Walmart has been improperly avoiding U.S. tax.
- The European Commission should examine Luxembourg and Walmart's presence there to determine whether Luxembourg has been providing Walmart with sweetheart tax deals equivalent to illegal state aid, thereby engaging in unfair competition against Luxembourg's European neighbors.
- The Organization for Economic Cooperation and Development (OECD) should use the Walmart example to test the usefulness of its nascent template for country-by-country reporting of each corporate entity's income and taxes, and reconsider the decision to give control over the release of those templates to home countries like Luxembourg, which might find releasing the information to be embarrassing or worse.
- Policymakers in the United States and abroad should press Walmart for accurate and complete country-by-country information on its income and taxes paid, assets, number of employees and more, including for Walmart subsidiaries, to determine whether it has been playing one country off another to escape paying taxes in multiple jurisdictions.

Walmart's web of subsidiaries in tax havens

Walmart opened its first foreign store in Mexico in 1991. Today, it is the largest corporation in the world by revenue, with $486 billion in annual revenues, $16 billion in profits, 2.2 million employees and retail operations in 27 countries outside of the United States.[1] Walmart has a complex and opaque structure through which it owns most of its foreign operating companies and manages their finances. Due to the lack of transparency in Walmart's public filings, the information in this report is necessarily incomplete in giving a total picture of Walmart's structure. Nonetheless, it provides compelling evidence that subsidiaries in tax havens now play a central role in the affairs of the company's growing International division.

To understand how Walmart uses tax havens, it is helpful to distinguish five levels of Walmart's corporate structure:

Level1: Wal-Mart Stores, Inc. – the ultimate parent company. Wal-Mart Stores, Inc. sits at the top of Walmart's global corporate hierarchy. As the ultimate parent company, Wal-Mart Stores, Inc. owns every company and asset in the Walmart corporate structure and every dollar the company earns. Although Walmart is headquartered in Arkansas and managed from there, Wal-Mart Stores, Inc. is registered in the state of Delaware.

Level 2: Intermediate parent companies located in foreign tax havens. In 25 out of 27 foreign countries where Walmart has retail operations, Walmart owns the country-level operating companies through one or more undisclosed shell companies located in foreign tax havens. Although these intermediate parent companies do not conduct substantive business operations of their own, they may receive dividends or interest payments from other Walmart subsidiaries around the world.

Level 3: Conduit subsidiaries in Canada, the United Kingdom and United States. This "conduit" level of Walmart's international corporate structure consists of limited liability companies (LLCs) and limited partnerships (LPs) located in Canada, the United Kingdom and the United States. In a number of cases, these companies are owned by other Walmart subsidiaries located in tax havens. In other cases, these companies are themselves part-owners of subsidiaries in tax havens or Walmart operating companies. In general, these entities appear to serve as financial conduits between subsidiaries in tax havens and Walmart's foreign operating companies. However, details of the inter-company transactions and ownership arrangements involving these conduit entities are obscured by weak public disclosure requirements in all three countries.

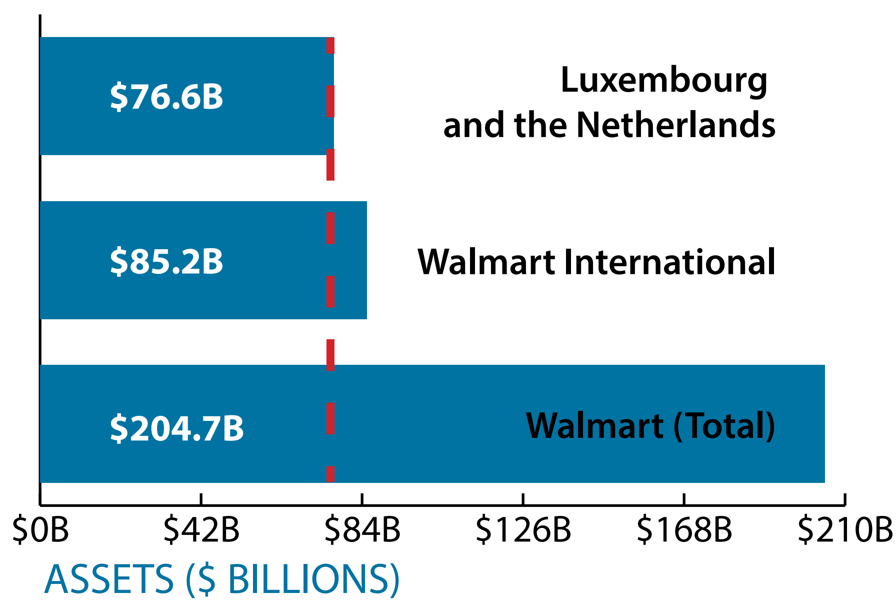
Level 4: U.S.-based intermediate parent companies of Walmart subsidiaries in tax havens. In most cases, Walmart owns its subsidiaries in tax havens indirectly, through several high-level intermediate parent companies.[2] For example, Wal-Mart International Holdings, Inc., a U.S. company registered in Delaware, is the parent company to a number of Walmart's high-level Luxembourg shell companies, which, in turn, own lower-level subsidiaries in tax havens, as well as operating companies.

Level 5: Operating companies. This level is the foundation of Walmart's global corporate hierarchy – the operating companies that directly own and operate Walmart stores, websites, real estate and other assets. This is the part of the structure that does the work that generates profits for Walmart.

This report identifies 78 Walmart subsidiaries (Appendix A) and branches located in 15 tax havens (Table 1). Only 21 Fortune 500 companies are known to have more subsidiaries in tax havens than the 78 Walmart subsidiaries documented in this report.[3]

Walmart has no retail operations and few, if any, employees in these tax havens.[3] Nonetheless, subsidiaries in tax havens clearly play a central role in Walmart's International division. Their importance is made clear by the fact that Walmart's 27 subsidiaries in Luxembourg and the Netherlands claim assets valued at $76.6 billion.[4] This is equal to 90 percent of the assets in the company's International division ($85.2 billion) or 37 percent of the company's total assets ($204.7 billion).[5] (Figure 2) There is no reliable public documentation about the amount of assets held by Walmart in other tax havens.

Figure 2. Walmart assets in Luxembourg and the Netherlands vs. Walmart International and Walmart corporate total



Source: Wal-Mart Stores, Inc., SEC Form-10K for FY 2014, Exhibit 13

Table 1. Count of undisclosed Walmart subsidiaries and branches in foreign tax havens

TAX HAVEN JURISDICTION	NUMBER OF WALMART SUBSIDIARIES	TOTAL ASSETS (BILLIONS)	WALMART STORES
Luxembourg	22	$64.2	0
Hong Kong	13	ND	0
British Virgin Islands	12	ND	0
Mauritius	5	ND	0
Netherlands	5	$12.4	0
Cayman Islands	4	ND	0
Singapore	4	ND	0
Switzerland	4	ND	0
Curaçao	2	ND	0
Panama	2	ND	0
Barbados	1	ND	0
Cyprus	1	ND	0
Gibraltar	1	ND	0
Ireland	1	ND	0
Spain*	1	$.5	0
TOTAL	**78**	**$76.6**	**0**

Sources: Detailed sources available from the authors. See Appendix C for a discussion of how these entities were identified. Asset values are excluded for entities outside of Luxembourg and the Netherlands either because the entities do not disclose financial information, or to prevent inadvertent double-counting of assets.

* Spain is not typically identified as a tax haven. It has been included in this analysis because a Spanish subsidiary was allegedly used by Walmart to avoid taxes in Argentina, under the terms of the former Argentina-Spain double tax treaty. (See "Walmart, Petrobras, Monsanto y otras 48 multinacionales evadieron $570 millones." El Intransigente (October 8, 2014). ; Tomás Lukin, "Grandes firmas reconocieron evasion," Pagina 12 (October 9, 2014).

ND = Not disclosed

Table 2. Countries with Walmart-owned retail companies and the tax haven subsidiaries through which Walmart owns these retailers

Outside of the United States, Walmart-owned retailers conduct business in 26 countries and the Commonweath of Puerto Rico. In 25 of these jurisdictions, Walmart owns these retail companies through intermediate parent companies located in foreign tax havens.

OPERATING COMPANY LOCATION	NO. OF STORES	LOCATION OF TAX-HAVEN PARENT COMPANY	NAME OF TAX-HAVEN PARENT COMPANY
Central America*	690	Curaçao	TFB Corporation NV
United Kingdom	592	The Netherlands (87%) Luxembourg (13%)	Broadstreet European Holdings Coöperatie BA Azure Holdings Sarl
Brazil	557	Luxembourg	Azure Holdings Sarl WMT Brasilia Sarl WMT GeC Holdings Sarl
Japan	430	Luxembourg Switzerland	Azure Holdings Sarl Wyoming Holding GmbH
China (Stores)	411	British Virgin Islands	Bounteous Company Ltd MMVI China Investment Co Ltd
China (Ecommerce)	N/A	Hong Kong Singapore	Newheight Holding Ltd GEC 2 PTE Ltd
Chile	404	British Virgin Islands	WM Latin American Holdings (BVI) II Corp WM Latin American Holdings (BVI) III Corp
South Africa**	396	Luxembourg	Main Street 824 (Proprietary) Limited Sarl
Argentina	105	Spain	Assedox SL
Puerto Rico	56	Luxembourg	WMT Apex Sarl
India	20	Mauritius	Wal-Mart Mauritius (1) Holdings Co Ltd Wal-Mart Mauritius (2) Holdings Co Ltd

See Appendix B for source information on company ownership and other notes to this table.

*Walmart's Central American operations include stores in Costa Rica (217), El Salvador (89), Guatemala (217), Honduras (81) and Nicaragua (86).

* *Walmart owns retail operations in 12 African countries, through its 51 percent stake in South Africa's MassMart. MassMart has stores in South Africa (360), Botswana (11), Ghana (1), Lesotho (3), Malawi (2), Mozambique (5), Namibia (4), Nigeria (6), Swaziland (1), Tanzania (1), Uganda (1) and Zambia (1).

The central importance of tax havens to Walmart's International division is explained by the fact that the company has transferred ownership of most (possibly all) of its foreign operating companies to subsidiaries in tax havens. Official filings in Luxembourg, the Netherlands and elsewhere reveal that Walmart subsidiaries in tax havens own, either directly or indirectly, operating companies in 25 out of 27 foreign countries where Walmart has retail operations (Table 2 and Appendix C). It is not possible to determine from publicly available information whether Walmart's Mexican[6] and Canadian[7] operations are owned through subsidiaries in tax havens.

Until now, Walmart has avoided public scrutiny of its use of tax havens primarily because it has never listed any of the 78 subsidiaries located in tax havens on Exhibit 21 ("Subsidiaries") of its annual 10-K filing with the SEC.[8] These entities have thus remained invisible to experts on corporate tax avoidance. For example, when Citizens for Tax Justice and U.S. PIRG issued a report in 2014 on U.S.-based multinational corporations' use of tax havens, they relied on the companies' 10-K filings to identify subsidiaries in tax havens. As a result, they reported that Walmart has zero subsidiaries in tax havens.[9]

Walmart's subsidiaries in tax havens are integrated into the company partly through undisclosed conduit entities organized as LLCs and LPs. These entities appear to play a key role in managing financial flows between subsidiaries in tax havens and the rest of the Walmart corporate structure. This report identifies 15 LLCs and LPs located in Canada, the United Kingdom and the United States that are directly related to Walmart's subsidiaries in tax havens (Tables 3 and 4). These include six U.S.-domiciled LLCs that have combined assets of more than $40 billion,[10] and which are owned by shell companies in Luxembourg.

LLCs and LPs play a key role in multinational corporations' international tax-planning strategies because they are not directly subject to income tax. Instead, LLC owners and LP partners (which may be individuals or companies domiciled anywhere in the world) are taxed in their home country on the income they receive from the entity. That makes LLCs and LPs useful as financial conduits for shifting earnings around the globe. For example, a U.S.-domiciled LLC can receive dividends from a foreign subsidiary and distribute dividends to a foreign owner without incurring tax in the United States – as long as the LLC's income is not derived from business activity in the United States. Using LLCs and LPs in this way also helps to obscure a company's internal structure and tax-planning strategies.

The pages that follow show how and where Walmart avoids taxes by using these entities.

Table 3. U.S., U.K. and Canadian subsidiaries integrated into Walmart's web of subsidiaries in tax havens

SUBSIDIARY NUMBER	SUBSIDIARY	FORMATION YEAR	FORMATION COUNTRY	INTERMEDIATE PARENT COMPANY	INTERMEDIATE PARENT COMPANY COUNTRY
324011	Walmart B.C. Holdings 2 ULC	2009	Canada	Walmart Investments Coöperatie UA	Netherlands
N/A	WMC Partnership	-	Canada	WMT Global Management Sarl	Luxembourg
5923566	WMT Canada Partners LP	-	Canada	Azure Holdings Sarl	Luxembourg
LP8486	Broadstreet South Bank LP	2003	United Kingdom	WMT Global Management Sarl	Luxembourg
07543859	WM SA Investments Ltd	2011	United Kingdom	Main Street 824 (Proprietary) Limited Sarl	Luxembourg
SL008208	WMT International Partners LP	2010	United Kingdom	Broadstreet International Partners Sarl and Broadstreet Sarl	Luxembourg
4725853	Alphen Shares LLC	2009	United States	Rhine American Holdings Coöperatie B.A.	Netherlands
4868012	Blpco Holding LLC	2010	United States	Azure Holdings Sarl	Luxembourg
4708233	Blueleaf Holdings LLC	2012	United States	Azure Holdings Sarl	Luxembourg
5345427	Brazil Segundo LLC	2013	United States	WMT Brasilia Sarl	Luxembourg
3512335965	Broadleaf Investments, LLC	2011	United States	WMT Global Management Sarl	Luxembourg
5243492	Jubilee Holdings LLC*	2012	United States	Broadstreet Mexico Sarl	Luxembourg
3469687	MCLM III LLC	2001	United States	Grupo Wal-Mart Sarl	Luxembourg

* Dissolved 2013 (see Broadstreet Mexico Sarl, Annual accounts for FY 2013).

Sources: Parent company annual accounts, available upon request; company numbers derived from respective company registers and filings.

Table 4. United States LLCs with ownership stake in subsidiaries domiciled in tax havens

LLC NO.	LLC NAME	FORMATION YEAR	FORMATION STATE	SUBSIDIARY IN TAX HAVEN	SUBSIDIARY COUNTRY
4709075	Blueleaf Management LLC	2009	DE	Blueleaf Cooperatie U.A.**	Netherlands
5203809	Meuse Holdings LLC	2012	DE	Rhine American Holdings Coöperatie BA (.1%)	Netherlands

** In liquidation

Sources: Blueleaf Coöperatie UA, Financial report for the year ending January 31, 2014. Available upon request or may be purchased through the Dutch Chamber of Commerce at: https://server.db.kvk.nl/TST-BIN/FU/TSWS001@?BUTT=34366684; Rhine American Holdings Coöperatie B.A., Financial statements for the year ending January 31, 2014. Available upon request or may be purchased from the Dutch Chamber of Commerce, at: https://server.db.kvk.nl/TST-BIN/FU/TSWS001@?BUTT=34305060 Company numbers derived from company registers and company filings.

Luxembourg: The center of Walmart's web of tax-haven subsidiaries

Luxembourg, which is now at the center of the global controversy over tax haven abuses, is also at the center of Walmart's web of subsidiaries in tax havens. There is strong evidence that Walmart is concentrating profits from its global operations in low-tax Luxembourg, rather than repatriating them to the United States where they would be subject to U.S. tax.

Walmart has formed 22 shell companies in Luxembourg, which now constitutes the heart of its global web of subsidiaries in tax havens. Although Walmart has maintained subsidiaries in tax havens since at least the early 1990s,[11] the company has formed 20 new subsidiaries in Luxembourg since 2009, including five in 2015. Walmart has moved more than $45 billion in assets into its Luxembourg subsidiaries since 2011, including a number of its overseas operating companies.[12]

Luxembourg has recently been exposed as a key center for corporate tax avoidance by the International Consortium of Investigative Journalists (ICIJ).[13] The ICIJ's blockbuster "LuxLeaks" exposé was based primarily on a cache of leaked "comfort letters" spelling out the sweetheart tax deals more than 350 companies had obtained from Luxembourg authorities with the aid of the consulting firm PricewaterhouseCoopers (PwC).[14]

The convoluted structures and transactions depicted in these comfort letters have a simple purpose – to dodge taxes. Stephen E. Shay, professor of international taxation at Harvard Law School and a former senior tax official in the U.S. Treasury Department, told the ICIJ that Luxembourg "combines enormous flexibility to set up tax reduction schemes, along with binding tax rulings that are unique. It's like a magical fairyland."[15] Indeed, the ICIJ stories pieced together by 80 journalists from around the world revealed that the secret Luxembourg agreements negotiated between the country and companies had generated billions of dollars in tax breaks.

The LuxLeaks revelations have prompted investigations and reform efforts across Europe. The European Commission recently proposed new rules to mandate that member countries share details of their tax agreements[16] and launched an inquiry into whether tax-reduction agreements implemented by Luxembourg and certain other member states constitute selective and illegal state aid to specific companies.[17]

Walmart does not make an appearance in LuxLeaks, perhaps because the company did not use the accounting firm PwC, the source for most of the leaked documents, to request tax rulings from the Luxembourg authorities. The annual accounts and other official documents filed by Walmart subsidiaries in Luxembourg provide considerable evidence that the company is using these Luxembourg entities to carry out tax-avoidance strategies similar to those exposed in the ICIJ LuxLeaks investigation.

The findings presented in this report raise the possibility that Walmart's arrangements in Luxembourg may transgress European Union rules on competition. The European Commission should examine Walmart and other companies' tax arrangements with Luxembourg (and those of its country competitors) to determine whether Luxembourg has been providing Walmart or other companies with sweetheart tax deals equivalent to illegal state aid, and thereby constituting unfair competition by Luxembourg against other European countries.[18]

Walmart concentrates global profits in low-tax Luxembourg and avoids U.S. tax

Walmart appears to be concentrating profits from around the world into shell companies in low-tax Luxembourg. This may facilitate tax avoidance in foreign countries where Walmart operates, but it also has implications for the United States. An analysis of financial transactions involving Walmart's Luxembourg subsidiaries suggests that the company is funneling far more in income and assets to those Luxembourg subsidiaries than they are returning to the United States as dividends, meaning Luxembourg is serving as a tax shelter.

This analysis begins by identifying financial flows *to* Luxembourg that originate with Walmart's operating companies around the world – the entities that are generating revenues for the company through concrete business activity. From 2012 through early 2014, Luxembourg filings indicate that Walmart transferred more than $6.9 billion in income and assets from its global operations to subsidiaries in Luxembourg (Appendix E).[19] These transfers included dividends ($3.8 billion); interest ($605.9 million); and contributions ($2.5 billion, most of which is accounted for by several Brazilian operating companies that were transferred to a Luxembourg subsidiary by Walmart Canada Corp.).[20]

The $6.9 billion funneled to Luxembourg far exceeds identifiable financial flows traveling the reverse route from Luxembourg to the United States, which would likely be subject to income tax here. In order to restrict the analysis presented here to transfers that constitute potentially taxable income to Walmart in the United States, the analysis includes only transfers to subsidiaries that are registered here as corporations, and therefore directly subject to U.S. income tax.

At first glance, it appears that Walmart transferred $3.2 billion in income and assets from Luxembourg to U.S.-based Wal-Mart Stores, Inc. and Wal-Mart International Holdings, Inc.

during the period in question.[21] Upon further inspection, the amounts transferred turn out to be as little as $38 million (Appendix F).

This discrepancy between the apparent and actual financial flows to the United States results from the fact that most of the $3.2 billion in reported payments to U.S. entities by Luxembourg subsidiaries are not really payments at all. These "payments" include the following:

- $2.5 billion in Convertible Preferred Equity Certificates transferred to Wal-Mart International Holdings, Inc. – a paper transaction that did not generate cash income or current tax liability in the United States (see page 19).[22]
- $644.5 million consisting of "transfers of notes, parts of notes and related accrued interest" to Wal-Mart International Holdings Inc. The limited disclosures in Luxembourg are not sufficient to determine whether the transfer of these notes would have generated currently taxable income to Walmart in the United States, but it seems unlikely.
- $38 million in interest and dividend payments made by two Luxembourg subsidiaries to Wal-Mart Stores, Inc. that would have been taxable in the United States, in the absence of offsetting deductions or tax credits.

Despite Walmart apparently concentrating a lot of its foreign earnings in Luxembourg, Walmart is not paying a lot of tax there. From 2010 through 2013, Walmart's Luxembourg subsidiaries reported paying just 0.18 percent in tax ($2.4 million) to Luxembourg on $1.3 billion in profits.[23]

Moving the money: Walmart's Delaware conduits in action

During FY 2013 and 2014, three Walmart LLCs in Delaware paid a combined $2.5 billion in dividends to their Luxembourg parent companies (Table 5).[24] In most cases, it is not possible to determine from public filings the source for their underlying income.

Financial statements analyzed for this report reveal the following details about how Walmart has funneled funds to Luxembourg using these entities:

- The largest of these LLCs, the mysteriously-named "MCLM III," holds $31.6 billion in assets, which is 15 percent of Walmart's total assets. It paid $1.8 billion in dividends to its Luxembourg parent over the two years.[25] Walmart does not disclose what Walmart assets this subsidiary owns or how it generates income.
- Jubilee Holdings LLC paid $623.5 million in dividends to its Luxembourg parent company, Broadstreet Mexico Sarl, before it was dissolved on January 31, 2013.[26] Prior to its dissolution, Jubilee apparently held $3.4 billion in debt owed by the Luxembourg-domiciled Grupo Wal-Mart Sarl. This debt was distributed to Broadstreet Mexico Sarl upon Jubilee's dissolution.[27]

- Blueleaf Holdings LLC provided $85.7 million in dividends to its Luxembourg parent, Azure Holdings Sarl.[28] Blueleaf owned a 16.8 percent stake in the U.K. parent company of Asda (Walmart's U.K. operating company) as of 2010.[29]

Table 5. Dividends paid to Luxembourg parent companies by Walmart's U.S. LLCs (FY 2013 and FY 2014)

U.S. LLC	PARENT COMPANY	ASSETS	DIVIDENDS PAID TO PARENT COMPANY
MCLM III	Grupo Wal-Mart Sarl	$31.6 BILLION	$1.8 BILLION
Jubilee Holdings*	Broadstreet Mexico Sarl	$3.8 BILLION	$623.5 MILLION
Blueleaf Holdings	Azure Holdings Sarl	NA	$85.7 MILLION
		TOTAL	**$2.5 BILLION**

* Dissolved January 2013

Sources: Analysis of annual accounts for the respective Luxembourg subsidiaries

Outside of the United States, Walmart also uses LLCs, LPs and similar entities to facilitate the process of concentrating the company's global profits in low-tax Luxembourg.

- Two Canadian subsidiaries paid $860 million in dividends and interest to their Luxembourg parent (Azure Holdings Sarl) during FY 2012 and 2013 (Appendix E). At least one of these companies, Walmart B.C. Holdings 2 ULC, appears to be a part owner of Walmart's real estate portfolio in Canada.[30] This raises the possibility that Walmart may be shifting Canadian earnings to Luxembourg through this company, which is itself owned through a Walmart shell company in the Netherlands.[31]
- Two British companies, WM SA Investments Ltd. and Broad Street South Bank LP, have likewise funneled $629 million in interest and dividends to two Walmart subsidiaries in Luxembourg (Appendix E). WM SA Investments Ltd. is the indirect parent company of Walmart's African operating companies and also a subsidiary of the higher-tier Luxembourg shell company, Main Street 824 (Proprietary) Limited Sarl.

Walmart pays interest to itself, thus shifting foreign profits to Luxembourg and avoiding foreign taxes

There is evidence that Walmart uses inter-company loans to shift profits from foreign operating companies based in higher-tax countries to shell companies in low-tax Luxembourg and other tax havens. The company has arranged for foreign operating companies to take out long-term loans from Walmart subsidiaries in tax havens and to make tax-deductible interest payments to those subsidiaries. This allows Walmart to avoid taxes in countries where it earns profits by simply paying interest to itself in places where the interest will be taxed lightly or not at all. This is known as earnings stripping.

The most complete evidence for such debt-based tax-avoidance by Walmart pertains to the company's U.K. retailer, Asda. A thorough analysis of financial statements issued by Walmart's Asda-related U.K. subsidiaries suggests that Walmart has avoided $850 million in U.K. taxes from 2004 through 2013 by transferring £2.06 billion – more than a quarter of the Asda group's earnings – to Walmart subsidiaries in Luxembourg via tax-deductible interest payments.[32] Meanwhile, the two Luxembourg subsidiaries that received the bulk of these interest payments paid tax at a rate of just .055 percent during the most recent year for which their financial statements are available.[33]

Annual filings of other Walmart subsidiaries suggest that Walmart is engaged in similar efforts elsewhere to shift profits from operating companies to subsidiaries in tax havens by means of interest payments on inter-company debt.

- In 2013, the Luxembourg-domiciled Walmart subsidiary Main Street 1021 Sarl issued a R600 million loan to its South African subsidiary, Massmart Management & Finance Co.[34]
- From 2010 to 2013, Walmart Chile paid out 13.7 percent of its pre-tax earnings in tax-deductible interest payments to four Chilean entities,[35] some of which have been previously identified as subsidiaries of WM Latin American Holdings (BVI) II Corp., a company domiciled in the British Virgin Islands, a well-known tax haven.[36]
- Walmart Chile's 2014 Annual Report discloses a new $156.2 million[37] loan from an entity identified as WM Global Financial Corp.[38] This lender is not a Chilean company and Walmart Chile does not disclose where it is located.[39] However, the similarity in the names suggests the possibility that the lender, WM Global Financial Corp., may be a British Virgin Islands-domiciled subsidiary that is identified in other filings as Walmart Global Corp.[40]

Walmart's lack of transparency concerning financial transactions within the company's far-flung web of operating companies, subsidiaries in tax havens and other intermediate entities makes it difficult to definitively determine the purpose of the transactions discussed above or their impact on Walmart's foreign tax position. However, structures employing shell companies in known tax-haven jurisdictions and inter-company loans are consistent with tax-avoidance strategies used by other multinational corporations and with what we know about Walmart's tax minimization efforts in the United States.

Walmart's $41.5 billion hybrid loan achieves double non-taxation

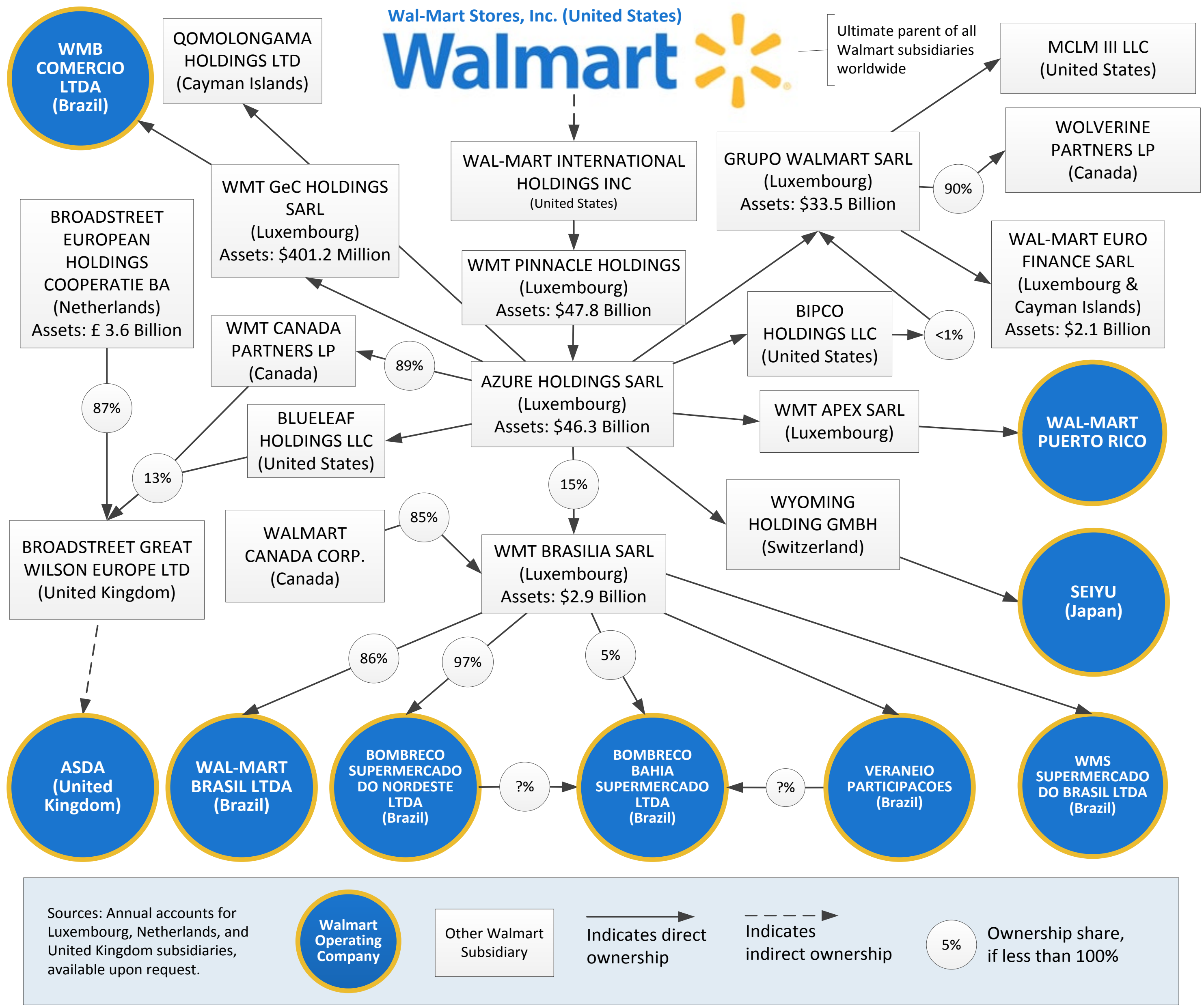
Walmart is able to "disappear" $1.5 billion in income annually for tax purposes in Luxembourg by using an exotic financial instrument known to tax planners as a "hybrid loan." The arrangement is highly beneficial to Walmart because it helps the company to concentrate foreign profits in Luxembourg without facing significant tax bills there. The OECD, whose 34 members include the United States, recently characterized hybrid financial instruments such as those used by Walmart as abusive and called on member states to prohibit their use.[41]

The financial documents analyzed for this report indicate that Walmart uses this complex hybrid loan scheme to achieve what is known in the tax planning business as "double non-taxation." The details are complex but the benefits of using this type of financial instrument are fairly straightforward: the hybrid loan generates interest deductions that offset taxable income funneled to Luxembourg from operating companies around the world. In doing so, it helps Walmart to maximize the benefits of deferring U.S. tax on its foreign earnings. The remainder of this section provides details about how Walmart arranged the hybrid loan and the benefits it receives.

On November 24, 2011, Walmart transferred ownership of Azure Holdings Sarl (Azure), a newly established Luxembourg subsidiary with $45.2 billion in assets, to WMT Pinnacle Holdings Sarl (Pinnacle), a company that Walmart had formed in Luxembourg a few months earlier.[42] Through its ownership of Azure Holdings, Pinnacle became the indirect parent of 20 limited partnerships and limited liability companies registered in Canada, the Cayman Islands, Luxembourg, Switzerland, and the United States.

Pinnacle's direct and indirect subsidiaries, in turn, own Walmart's Japanese[43] and Puerto Rican[44] operating companies, and own minority interests in Walmart's Brazilian and U.K. operating companies – with a combined reported value of about $5.2 billion (Figure 3).[45]Another $40 billion worth of Pinnacle's assets cannot be specifically identified from public filings because they are owned through subsidiaries that do not disclose their assets.[46] In any case, the assets under Pinnacle's ownership include a number of foreign operating companies that generate profits for Walmart.

Figure 3. A simplified diagram of the Luxembourg entities at the center of Walmart's $41.5 billion hybrid loan transaction (does not include all subsidiaries)



Having placed these operating companies and other undisclosed assets under Pinnacle's ownership, Walmart set out to minimize the taxes that Pinnacle (and ultimately, Walmart) has to pay on the income they generate. To do this, Pinnacle issued $41.5 billion in Convertible Preferred Equity Certificates (CPECs) to the U.S.-domiciled Wal-Mart International Holdings, Inc. in 2011.[47] This transaction effectively converted Walmart's transfer of $45.2 billion worth of assets to Pinnacle[48] into a hybrid loan. This hybrid loan has "magical" properties for Walmart because Luxembourg allows the "debtor" (Pinnacle) to deduct annual interest charges on the "loan" as they accrue, even if the interest is not actually paid out to the "lender" (Wal-Mart International Holdings, Inc.).[49] This is why the hybrid loan can "disappear" taxable income for an extended period of time in both Luxembourg and the United States.

The tax advantaged nature of the transaction works because U.S. and Luxembourg tax authorities view the transaction differently – hence the "hybrid" moniker. Luxembourg tax authorities treat the issuance of CPECs as representing a loan to Pinnacle from Wal-Mart International Holdings, Inc. Indeed, during FY 2012 and FY 2013, Pinnacle reported making $3.16 billion in interest payments on the CPECs[50] and deducted these payments from its taxable income in Luxembourg.[51] These deductions offset most of Pinnacle's income for those years.[52] Crucially however, Pinnacle didn't actually send any cash to Wal-Mart International Holdings, Inc. Instead, Pinnacle "paid" the interest simply by issuing even more CPECs,[53] which would not generate any taxable income in the United States.

Bortnick: A hybrid financial instrument is an instrument that is classified as debt in the country in which the issuer was formed and as equity in the United States.
Strategies: What are the strategic reasons for designing an issuance that uses a hybrid instrument?
Bortnick: Tax savings is often a primary motivation.
– Interview with Steven D. Bortnick, Pepper Hamilton LLP
Source: "Strategies and Hybrid Instruments: A Practitioner's Perspective" (June 15, 2007)[54]

While Luxembourg authorities treat this arrangement as a loan, U.S. authorities view the CPECs as if they represent a $41.5 billion investment in Pinnacle, a Luxembourg firm, by Wal-Mart International Holdings, Inc., a U.S. firm. As a result, Wal-Mart International Holdings, Inc. does not have to pay any U.S. tax on the interest "accruing" to it in Luxembourg until it actually redeems the CPECs (by essentially selling the certificates back to Pinnacle). Thus, Walmart could conceivably avoid paying U.S. tax on the billions of dollars in interest accruing annually to Wal-Mart International Holdings, Inc. until the CPECs mature in 2041. By using hybrid loans, Walmart can funnel foreign earnings to Luxembourg and use that income to fund its global operations for decades, while minimizing Luxembourg tax and deferring U.S. tax on the earnings.

Walmart uses short-term loans to access foreign earnings, tax-free

Documents analyzed for this report suggest that Walmart may be exploiting loopholes in the Internal Revenue code by using short-term, low-interest loans from Luxembourg to access stockpiled foreign profits without paying any U.S. tax. Such a financial maneuver would mimic Hewlett-Packard's "de facto repatriation" of offshore funds using serial short-term loans, a program that was exposed by the U.S. Senate Permanent Subcomittee on Investigations (PSI) in 2012.[55]

U.S. tax law prohibits American multinationals from investing foreign earnings in their U.S. operations until they have paid the U.S. tax due on those foreign earnings, minus foreign tax credits. As Harvard Professor Stephen E. Shay explains, the rules governing deferral and restricting the use of foreign earnings that have not been subject to U.S. tax are intended, in part, to "restrict the advantage a U.S. multinational would have competing against a domestic U.S. business that will not have available low-taxed offshore earnings for use in its business."[56]

The Internal Revenue code (Section 956) expressly provides that loans to U.S. multinationals from controlled foreign corporations or CFCs (such as Walmart's Luxembourg subsidiaries) will be considered dividends that are subject to U.S. tax. However, the code also excludes loans that are repaid within 30 days, if all of the loans made by the CFC throughout the year are outstanding for less than 60 days in total.[57] In addition, only loans outstanding at the end of a company's financial quarter are subject to analysis under this deemed dividend rule.[58] These loopholes provide U.S. multinationals with a lot of room to maneuver when it comes to taking untaxed loans from their offshore profits.

A memorandum summarizing the PSI Committee's findings on offshore profit shifting by U.S. multinationals provides a detailed explanation of how Hewlett-Packard "used billions of dollars of inter-company offshore loans to effectively repatriate untaxed foreign profits back to the United States to run their U.S. operations, contrary to the intent of U.S. tax policy."[59]

During the first half of 2014, Wal-Mart Stores, Inc. took $2.4 billion in short-term loans[60] from seven of its Luxembourg subsidiaries.[61] Where disclosed, the interest rates on these loans were minimal – from 0.25 percent to 0.28 percent (Table 6). It is impossible to determine the full extent of Walmart's short-term loan program from publicly available documents, and therefore to assess whether Walmart's activities come close to matching those of Hewlett-Packard in terms of their significance to the company's finances. However, Walmart's use of short-term loans could permit the company to effectively use pre-U.S. tax earnings to fund its domestic operations, which would transgress the intent of U.S. law.

Table 6. Short-term loans to Wal-Mart Stores, Inc. (U.S.) from Walmart subsidiaries domiciled in Luxembourg (First Half 2014)

LENDER (WALMART SUBSIDIARY)	LOAN DATE	MATURITY	RATE	LOAN AMOUNT ($ MILLIONS)
Azure Holdings Sarl	2014	ND	ND	$1,757
Grupo Wal-Mart Sarl	4/29/2014	5/2/2014	ND	$178
Main Street 823 (Proprietary) Sarl	4/29/2014	5/2/2014	0.28%	$173
WMT Global Management Sarl	4/29/2014	5/2/2014	0.28%	$40
WMT Global Management Sarl	N/A	2/5/2014	0.25%	$126
Main Street 823 (Proprietary) Sarl	N/A	2/5/2014	0.25%	$78
Broadstreet International Partners Sarl	N/A	2/5/2014	0.25%	$10
			TOTAL	**$2.4 BILLION**

Sources: for Azure Holdings, Annual accounts for the year ending December 31, 2013; for all others, annual accounts for the year ending January 31, 2014.

ND = Not Disclosed

One reason companies may choose to take advantage of short-term loans from foreign subsidiaries is to reduce their cost of borrowing. By paying down other debt with pre-U.S. tax short-term loans, companies can reduce the consolidated debt-to-equity ratio disclosed in their financial reports, which may allow them to improve their credit rating and consequently reduce their borrowing costs.[62] This means that taking short-term loans from subsidiaries in tax havens could give international companies like Walmart an unfair competitive advantage with respect to smaller and more domestically-oriented competitors who cannot use low-taxed foreign earnings in this way.

Walmart's possible long game – from tax deferral to profit windfall

In July 2011, then Walmart CEO Mike Duke testified before the Senate Finance Committee in favor of a "territorial" tax system that would exempt the foreign earnings of U.S.-based multinationals from U.S. income tax.[63]

An immediate goal of multinationals and some members of Congress is to make it attractive for U.S. corporations to repatriate $2.1 trillion in profits that are currently offshore and untaxed in the United States.[64] Two proposals have been put forward:

- A voluntary repatriation tax holiday similar to what was done in 2004, with a tax rate around 6 percent. The U.S. Chamber of Commerce, to which Walmart belongs, has previously advocated for a repeat of the repatriation holiday.[65]
- Deemed repatriation at a 14 percent tax rate, proposed by President Obama. This would require companies to pay taxes on their current offshore profits, whether they repatriate them or not, less any foreign tax credits. This would raise approximately $268 billion, which the president proposes be used for rebuilding roads and bridges.[66]

Walmart may be stockpiling its low-taxed foreign earnings offshore in anticipation of congressional action this year or in the future, which would greatly reduce the tax rate paid on current offshore profits that have not been taxed here and altogether exempt future profits from U.S. income taxes under a territorial tax system.

> **"My advice to this committee is straightforward: lower the corporate rate as much as you can, make the tax base as broad as you can, and move to a territorial system as quickly as you can."**
>
> —Mike Duke, Walmart CEO, Testimony to Senate Finance Committee, July 26, 2011[67]

The low tax rates under any of these proposals will result in huge tax cuts for profitable corporations – many of which actually earned their "offshore profits" here but shifted them to tax havens. For example, ten companies would save $82 billion in taxes over ten years at President Obama's 14 percent deemed repatriation tax rate, according to Citizens for Tax Justice.[68] As a highly internationalized company, with 37 percent of profits originating overseas,[69] Walmart stands to benefit significantly from all of these measures.

For a variety of reasons, including the tax-haven strategies revealed in this report, Walmart's overall foreign tax rate averages just under 25 percent, well below the U.S. statutory rate of 35 percent.[70] This means that to the extent that Walmart can bring its foreign profits back here without paying U.S. tax, the company lowers its overall tax rate, increases its profits and gains a competitive advantage over smaller and more domestically-oriented competitors who cannot follow suit.

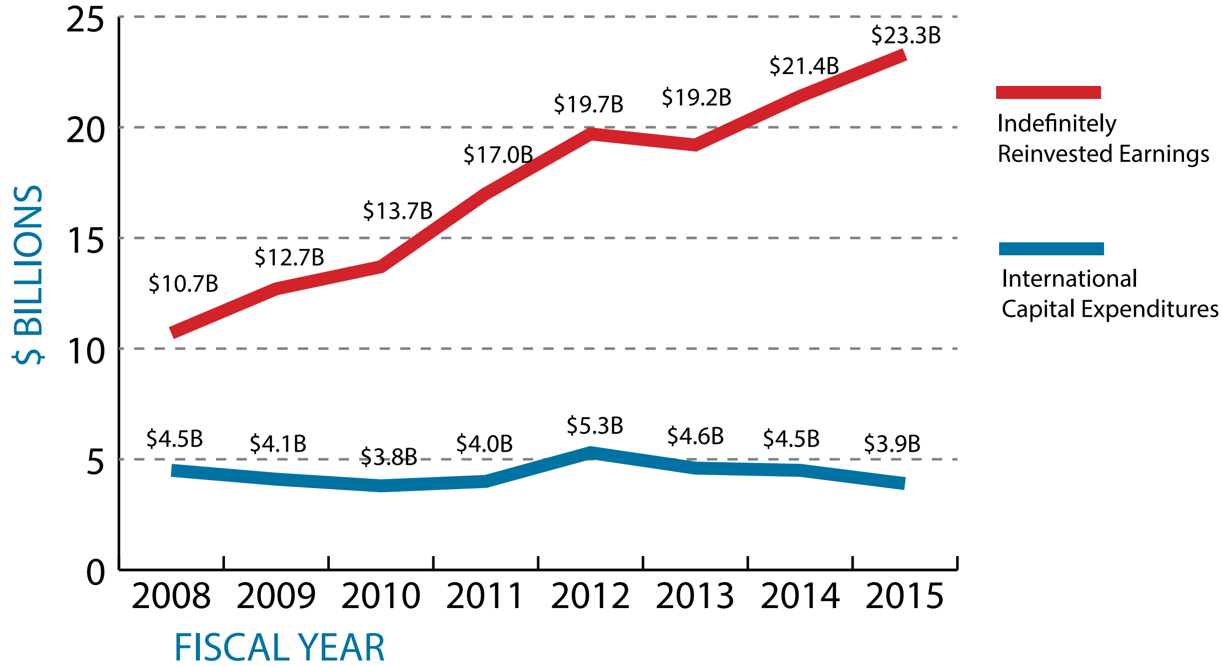
Edward Kleinbard, a USC Law professor and former Chief of Staff of the U.S. Congress's nonpartisan Joint Committee on Taxation, writes that "U.S.-domiciled multinational firms have become adroit at moving income that as an economic matter is earned in high-tax foreign countries to very low-taxed ones."[71] He explains that tax-dodging multinationals are piling up their low-taxed foreign income overseas while they lobby for legislation that would exempt it from U.S. taxation. This kind of activity – like Walmart's funneling of foreign profits to Luxembourg – wouldn't make any sense without the existing giant tax loophole known as "deferral." Closing the deferral loophole would raise about $60 billion a year in corproate taxes, according to the congressional Joint Committee on Taxation.[72]

Formally, the United States taxes U.S.-based multinational corporations on their worldwide earnings – after giving them a dollar-for-dollar tax credit for taxes paid to foreign governments. However, when U.S.-based multinational corporations earn active business income overseas, the United States does not tax that income until it is paid to the U.S. parent company (i.e., repatriated) as a dividend, or equivalent.[73] The deferral loophole encourages aggressive tax avoidance by permitting U.S. corporations to indefinitely delay U.S. taxation of foreign earnings.[74] This means that if a U.S. multinational has significant operations in countries with relatively low tax rates, or if it uses tax havens to avoid foreign taxes, it can also reduce its overall tax rate and increase its profits by simply stashing its foreign earnings overseas and indefinitely deferring U.S. taxes.

Financial accounting rules allow companies to declare that some or all of their foreign earnings are indefinitely or permanently reinvested overseas – and companies may treat such earnings for accounting purposes as if they are permanently exempt from U.S. tax (providing a boost to their bottom line). From 2008, the year before Walmart began expanding its network of Luxembourg subsidiaries, to this year, the company's "indefinitely reinvested earnings" have more than doubled from $10.7 billion to $23.3 billion (Figure 4).[75] Walmart placed 26th out of 288 Fortune 500 companies that claimed indefinitely or permanently reinvested earnings in 2014.[76]

While Walmart's offshore earnings have more than doubled, the company's international capital spending has declined. Walmart may be piling up cash overseas to avoid paying U.S. taxes on the earnings, rather than using those profits for offshore investments.

Figure 4. Foreign earnings that Walmart declares it has indefinitely reinvested overseas vs. Walmart's international capital expenditures (2008 - 2015)



Sources: Wal-Mart Stores, Inc., SEC Form 10-K for FY 2009, Ex. 13; Wal-Mart Stores, Inc., SEC Form 10-K for FY 2015, Ex. 13

Walmart is not alone in piling up foreign earnings. The offshore profits of U.S. multinationals have skyrocketed from $562 billion[77] in 2004 to $2.1 trillion today. The craze for stockpiling overseas earnings goes back to 2004, when Congress approved a massive tax break for U.S. multinationals in the form of a repatriation tax holiday that let them bring their accumulated overseas earnings back to the United States at a 5.6 percent tax rate, or nearly tax-free.[78]

A 2011 report issued by Senator Carl Levin of the Senate Permanent Subcommittee on Investigations showed that companies that took advantage of the 2004 tax holiday tended to increase their stockpile of unrepatriated earnings in the following years.[79] This suggests that multinationals are hoping Congress will approve another tax holiday – or a territorial tax system – and are keeping substantial funds offshore "in order to take advantage of the next opportunity to bring corporate profits back to the United States at an extremely low tax rate."[80]

As Professor Kleinbard argues about the explosion in offshore profits, "It is less than a secret that firms in this position really have no intention of 'permanently' reinvesting the cash overseas, but instead are counting the days until the money can be used to goose share prices through stock buybacks and dividends."[81]

The bottom line is this: the deferral loophole allows multinationals like Walmart to avoid tax in the United States today and increases the potential benefit to them from enactment of a territorial system or repatriation tax holiday in the future. In fact, such proposals would provide the greatest benefit to those corporations that have most aggressively dodged their U.S. taxes by using tax-haven subsidiaries or other means.

Walmart, like other U.S. multinationals, may be patiently playing the "long game" on international tax. Today, it is using its web of subsidiaries in tax havens to avoid foreign taxes on its overseas earnings. It appears to be taking advantage of the deferral loophole to stockpile its low-taxed overseas profits in tax havens such as Luxembourg.

Looking to the future, Walmart has advocated for a territorial tax system, which would constitute a massive tax break that would allow it to bring its stockpiled foreign earnings back home without paying any U.S. tax.

Thus, Walmart may be seeking to turn today's deferral into tomorrow's permanent windfall, which would provide it with significant competitive advantages against its smaller and less internationalized competitors.

Walmart is trying to accomplish this by influencing tax legislation in three ways – through lobbying, campaign contributions and issue advocacy via major corporate coalitions, according to an Americans for Tax Fairness report. Walmart employs 74 lobbyists – 80 percent of whom have previously served in government – and it has spent $32.6 million lobbying on tax and other issues over the past five years. Tax issues have been by far Walmart's top lobbying focus.[82]

Regulatory actions and policy proposals to respond to Walmart’s use of tax havens

The findings in this report suggest multiple lines of inquiry with Walmart and reform that should be pursued by the appropriate regulatory authorities and policymakers in the United States and abroad.

U.S. Securities and Exchange Commission (SEC)

1. The SEC should ask Walmart to explain its failure to disclose on Exhibit 21 of its SEC Form 10-K any of the 78 subsidiaries and branches Walmart has in tax havens, and require the company to make public a complete list of its business entities and which of those subsidiaries Walmart has elected to designate as disregarded for U.S. tax purposes, so that investors can better evaluate the company’s tax practices.[83]
2. The SEC should ask Walmart for and Walmart should make public a complete list of all of the business entities in its undisclosed network of subsidiaries in tax havens, as well as a record of the ownership of each of those entities and their relationships to the rest of the Walmart group of companies, including Wal-Mart Stores Inc. here in the United States.
3. The SEC should require Walmart to disclose the extent to which its offshore cash and cash equivalents are physically located in U.S. dollar accounts at financial institutions located in the United States, and the extent to which those funds are available on an after-tax basis, so that investors can better evaluate Walmart’s cash position.

Internal Revenue Service of the United States (IRS)

4. The IRS should audit Walmart’s use of subsidiaries in tax havens, including the transfer of billions of dollars to its tax-haven subsidiaries and its use of various financial instruments to move taxable income out of the United States. The IRS should also analyze Walmart's use of short-term offshore loans to fund some of its U.S. operations without paying repatriation taxes, and its deposit of offshore cash in U.S. financial institutions to determine whether Walmart has been improperly avoiding U.S. tax.

National legislatures and tax authorities in countries where Walmart has retail operations

5. Parliaments and tax authorities in the United Kingdom, Mexico, Japan, and elsewhere should investigate the extent to which Walmart is conducting profitable business within the country's borders, but paying little or no tax, due either to sweetheart tax deals or corporate practices that move the profits to tax havens. They should investigate Walmart's multinational corporate competitors, as well.

European Commission

6. The European Commission should examine Luxembourg and Walmart's presence there to determine whether Luxembourg has been providing Walmart and others with sweetheart tax deals equivalent to illegal state aid, thereby engaging in unfair competition against Luxembourg's European neighbors.[84]

Organization for Economic Cooperation and Development (OECD)

7. The OECD should use Walmart as an example to test the usefulness of its nascent template for country-by-country reporting of each corporate entity's income and taxes paid, and reconsider the decision to give control over the release of those templates to home countries like Luxembourg that might find releasing the information to be embarrassing or worse.[85]

Policymakers around the world

8. Policymakers in the United States and abroad should press Walmart (and other multinational corporations) for accurate and complete country-by-country information on their income and taxes paid, assets, number of employees and more, including for their subsidiaries, to determine whether Walmart has been playing one country off another to escape paying taxes in multiple jurisdictions.

Conclusion

This report is being released as Congress and the Obama Administration consider whether any form of corporate tax reform can be crafted and voted on this year. That reform effort is becoming narrower and is increasingly likely to focus on international tax issues, including those covered in this report. A major proposal under discussion is how to tax the $2.1 trillion in offshore profits that are held by U.S. corporations and are currently untaxed. It is our hope that this case study about Walmart's secretive and extensive use of tax havens causes members of Congress to rethink their approach on how to tax these offshore profits and international tax issues in general.

The conventional wisdom in Washington is that corporations should be able to bring these profits home at a steeply discounted tax rate. President Obama proposes that a mandatory 14 percent tax rate be paid on the $2.1 trillion in profits currently offshore (less credits for foreign taxes paid), which is known as deemed repatriation. The $268 billion would be used to rebuild roads and bridges. Others propose a voluntary repatriation tax holiday at a tax rate well below 10 percent, which would actually lose revenue in the long-term.

Multinational corporations that have already dodged paying their fair share of taxes through the use of offshore tax havens should not be rewarded with an even bigger tax break, as these proposals would do. Instead of rewarding tax-dodging, Congress should require that Walmart and other multinationals pay all legally required taxes on their growing pile of overseas earnings. For the short-term, that could mean a deemed repatriation plan as a down payment on future taxes owed, with corporations required to pay the full 35 percent rate later on. Longer-term, Congress should end the deferral loophole, which would take away any incentive to shift profits offshore through tax havens.

We lose about $90 billion a year in federal revenue due to corporate use of tax havens to dodge taxes.[86] When governments at every level struggle to fund basic services such as educaton, transportation and health care, corporate tax dodging makes it that much harder. Walmart's low wages shift the cost to other taxpayers by forcing so many employees to depend on public assistance, as documented by earlier ATF reports.[87] Tax havens also give multinational corporations such as Walmart competitive advantages over small businesses. It is estimated that the average small business owner would have to pay an extra $3,200 to make up for the money lost from corporate use of offshore tax havens, according to a U.S. PIRG report.[88]

Walmart's business model has shuttered an untold number of Main Street businesses across the country. Our tax system should not make the situation worse. But it does. The offshore tax avoidance tools at Walmart's disposal are not available to smaller, local retailers. And when large corporations avoid taxes, the rest of us have to make up the difference.

Appendix A: Walmart subsidiaries located in tax havens

WALMART SUBSIDIARY	DOMICILE	FORMED	LINK/SOURCE
Wal-Mart FSC Inc	Barbados	8/17/1994	Barbados Registry
Bounteous Company Ltd	British Virgin Islands		ICIJ Database
MMVI China Investment Company	British Virgin Islands		ICIJ Database
Wal-Mart China Company Ltd	British Virgin Islands	3/26/1996	Hong Kong Registry*
Walmart Global Corp	British Virgin Islands		WMT Global Management accounts (2014)
WM Latin American Holdings (BVI) I Corp	British Virgin Islands		Luxembourg Filing
WM Latin American Holdings (BVI) II Corp	British Virgin Islands		SEC FIling
WM Latin American Holdings (BVI) III Corp	British Virgin Islands		SEC FIling
WMGS Services LTD	British Virgin Islands		Singapore Registry*
WMLA Holdings (BVI) IV	British Virgin Islands		WMT Global Management accounts (2013)
WMT Azul Partners LP	British Virgin Islands		Broadstreet of Munsbach accounts (2013)
WMT GOBV I Corp	British Virgin Islands		Luxembourg Filing
WMT GOBV II	British Virgin Islands		WMT Global Management accounts (2014)
Qomolangma Holdings Ltd	Cayman Islands		Azure Holdings accounts (2013)
Wal-Mart Cayman (Canadian) Finance Co	Cayman Islands		SEC Filing
Wal-Mart Cayman (Euro) Finance Co	Cayman Islands		Luxembourg Filing
Wal-Mart Cayman (Sterling) Finance Co	Cayman Islands	6/29/2001	SEC Filing
TFB Corporation II NV	Curaçao	12/13/1999	Company Registry*
TFB Corporation NV	Curaçao	10/8/1992	Company Registry*
Walmart Limited	Cyprus	12/29/2003	Company Registry
Broadstreet (Gibraltar) Ltd	Gibraltar		Broadstreet of Munsbach accounts (2013)
New Height Corporation Limited	Hong Kong	7/24/2007	Company Registry*
Walmart Asia Realty Company Limited	Hong Kong	11/16/2011	Company Registry*
Walmart Asia Realty Southern China (No. 1) Co Ltd	Hong Kong	11/28/2012	Company Registry*
Walmart Asia Realty Southern China (No. 2) Co Ltd	Hong Kong	11/28/2011	Company Registry*
Walmart Asia Realty Southern China (No. 3) Co Ltd	Hong Kong	10/8/2014	Company Registry*
Walmart Asia Realty Southern China (No. 4) Co Ltd	Hong Kong	10/22/2014	Company Registry*
Wal-Mart Bathroom (HK) Investment Co Ltd	Hong Kong	10/26/2010	Company Registry*
Walmart Products Company Ltd	Hong Kong	6/28/2013	Company Registry*
WMGS Co Limited	Hong Kong	11/7/2001	Company Registry*
WMGS Hong Kong Limited	Hong Kong	8/22/2008	Company Registry*
WMGS Management Limited	Hong Kong	8/29/2008	Company Registry*
WMGS SE Asia Apparel Sourcing Limited	Hong Kong	8/29/2008	Company Registry*
WMGS Training HK Co Ltd	Hong Kong	3/14/2001	Company Registry*
Main Street 824 (Proprietary) Limited	Ireland	2/18/2011	Company Registry*
Azure Holdings Sarl	Luxembourg	10/19/2011	Commercial Register
Broadstreet Sarl	Luxembourg	12/22/2009	Commercial Register
Broadstreet Continental Finance Sarl	Luxembourg	12/11/2002	Commercial Register
Broadstreet International Partners Sarl	Luxembourg	2/3/2009	Commercial Register
Broadstreet Mexico Sarl	Luxembourg	11/10/2010	Commercial Register
Broadstreet of Munsbach Sarl	Luxembourg	12/31/2002	Commerical Register

WALMART SUBSIDIARY	DOMICILE	FORMED	LINK/SOURCE
Grupo Wal-Mart Sarl	Luxembourg	11/10/2010	Commercial Register
Main Street 1021 (Proprietary) Limited Sarl	Luxembourg	3/7/2013	Commercial Register
Main Street 823 (Proprietary) Sarl	Luxembourg	10/29/2010	Commercial Register
Main Street 824 (Proprietary) Limited Sarl	Luxembourg	2/3/2011	Commercial Register
Munsbach Norco Sarl	Luxembourg	10/13/2010	Commercial Register
Wal-Mart Euro Finance Co Sarl	Luxembourg	11/21/2011	Commercial Register
WMT Apex Sarl	Luxembourg	1/9/2012	Commercial Register
WMT Brasilia Sarl	Luxembourg	1/8/2013	Commercial Register
WMT GeC Holdings Sarl	Luxembourg	6/4/2012	Commercial Register
WMT Global Management Sarl	Luxembourg	12/15/2010	Commercial Register
WMT Kirchberg Sarl	Luxembourg	1/28/2015	Commercial Register
WMT Pinnacle Holdings Sarl	Luxembourg	8/29/2011	Commercial Register
WMT Red Lands Sarl	Luxembourg	1/28/2015	Commercial Register
WMT TC Sarl	Luxembourg	1/27/2015	Commercial Register
WMT Viva Sarl	Luxembourg	1/28/2015	Commercial Register
WMT Yellowstone Sarl	Luxembourg	1/28/2015	Commercial Register
Massmart International Holdings Limited	Mauritius	2/10/2003	Company Registry*
Wal-Mart Mauritius (1) Holdings Co Ltd	Mauritius	3/28/2007	Company Registry*
Wal-Mart Mauritius (2) Holdings Co Ltd	Mauritius	3/28/2007	Company Registry*
Wal-Mart Mauritius Holdings (3) Co Ltd	Mauritius	3/15/2010	Company Registry*
Wal-Mart Mauritius Holdings (3) Co Ltd	Mauritius	3/15/2010	Company Registry*
Blueleaf Cooperatie UA (I.L.)	Netherlands	11/24/2009	Chamber of Commerce
Broadstreet European Holdings Coöperatie BA	Netherlands	1/16/2003	Chamber of Commerce
Rhine American Holdings Coöperatie BA	Netherlands	6/23/2008	Chamber of Commerce
Walmart Investments Coöperatie UA	Netherlands	9/4/2009	Chamber of Commerce
Windmill American Holdings BV	Netherlands	6/23/2008	Chamber of Commerce
Walmart International SA	Panama	9/24/2011	Open Corporates
Wal-Mart SA	Panama	1/28/2000	Open Corporates
GEC 1 PTE. Ltd	Singapore		Company Registry*
GEC 3 PTE Ltd	Singapore		Company Registry*
Wal-Mart Asia PTE Ltd	Singapore		Company Registry*
WMGS Singapore PTE Ltd	Singapore		Company Registry*
Assedox S.L.	Spain	11/27/2002	Infocif
Broadstreet Global Activities GmbH	Switzerland	4/10/2003	Commercial Register
Swiss Asia Minor GmbH	Switzerland	7/21/2008	Commercial Register
Wal-Mart Holdings International Ltd	Switzerland	11/29/2002	Commercial Register
Wyoming Holding GmbH	Switzerland	11/19/2002	Commercial Register

* Indicates that link goes to national company registry search page. This notation is used in cases where the company can be found in the registry but it is not possible to generate a permanent URL.

Sources: Additional details available upon request. For Luxembourg companies, links go to an archive of the company's filings in the Luxembourg commercial register. Annual accounts for Luxembourg companies are behind a paywall at: https://www.rcsl.lu

Appendix B: Notes to Table 1

While omitting subsidiaries in tax havens from its annual filings with the S.E.C, Walmart has disclosed many of these entities in various legal documents and other required filings, mostly overseas. Identifying these companies remains a major investigative challenge, however. For example, Walmart's Luxembourg subsidiaries are required to file annual accounts, which can be purchased through the Luxembourg Registre de Commerce et des Sociétés ("RCS"). In order to access these reports, a researcher must first determine the identity of the subsidiary of interest. It is not possible to simply run a search for all companies owned by Walmart (or any other company). And, in some cases, Walmart uses generic names, such as "Broadstreet International Partners," which tend to cloak a subsidiary's relationship to the company. Further, many tax-haven jurisdictions require little or no public disclosure of ownership or financial information by companies or do not even maintain a public register of companies.

Walmart's tax haven subsidiaries were identified through multiple sources including official company (Walmart and subsidiaries) documents, such as annual financial reports, entries in national commercial registers, and national company registries. In some cases, subsidiaries were identified through third-party sources such as the International Consortium of Investigative Journalists OffShoreLeaks database, the OpenCorporates website, government documents, or trade publications. In certain cases, the primary or only evidence of a connection to Walmart is the name of the company (this is true of one Barbados subsidiary, one Cyprus subsidiary, several Hong Kong subsidiaries, and two Panama subsidiaries). We have attempted to include only subsidiaries that have been active recently. However, due to limited disclosure, it is not always possible to determine an entity's current status. A spreadsheet of all the subsidiaries located in tax havens identified in this report and the relevant source information is available upon request. Appendix A provides hyperlinks to sources where these are available online.

Appendix C: Sources and Notes to Table 2

This appendix provides source information by region or country for the company ownership information reported in Table 2, as well as relevant informational notes on several of the subsidiaries listed in the table.

AFRICA

Walmart's African operations include stores in South Africa (360), Botswana (11), Ghana (1), Lesotho (3), Malawi (2), Mozambique (5), Namibia (6), Nigeria (6), Swaziland (1), Tanzania (1), Uganda (1) and Zambia (1). (Wal-Mart Stores, Inc., "Our Story: Our Locations: South Africa" (Accessed May 19, 2015). http://corporate.walmart.com/our-story/our-business/locations/#/south-africa). Walmart owns retail operations in 12 African countries, through its 51 percent stake in South Africa's MassMart.). Wal-Mart owns its stake in South Africa's MassMart indirectly, through Main Street 830 (Proprietary) Ltd., a South African-domiciled company (MassMart, Integrated Annual Report for FY 2012, p. 8. http://financials.massmart.co.za/invest_profile/financial_results/2012/massmart_ar2012/downloads/Massmart_ar2012.pdf). WM SA Investments Ltd. (UK) (No. 07543859) is the immediate parent company of Main Street 830 (Proprietary) Limited (WM SA Investments Ltd., Reports and Financial Statements for FY 2014, Note 6.). The immediate parent company of WM SA Investments Ltd. is the Luxembourg-domiciled Walmart-subsidiary Main Street 824 Sarl (Main Street 824 Sarl, Annual accounts for FY 2014, Note 3, p. 8).

ARGENTINA

Walmart owns Wal-Mart Argentina through a Spanish subsidiary, Assedox S.L. (B83488221). Assedox S.L. owns 91.34 percent of Wal-Mart Argentina SRL. and 95 percent of Inversiones Wal-Mart Argentina SRL (Assedox S.L., Abbreviated annual accounts for FY 2014, p. 15. Available upon request or from Infocif at: http://www.infocif.es/ficha-empresa/assedox-sl)

BRAZIL

Walmart owns its Brazilian retail companies and e-commerce operations through several Luxembourg subsidiaries (See: Azure Holdings Sarl, Annual accounts for FY 2013. WMT Brasilia Sarl, Annual accounts for FY 2013. WMT GEC Holdings Sarl, Annual accounts for FY 2013).

CENTRAL AMERICA

Walmart's Central American operations include stores in Costa Rica (217), El Salvador (89), Guatemala (217), Honduras (81) and Nicaragua (86). (See: Wal-Mart Stores, Inc., "Our Story: Our Locations" http://corporate.walmart.com/our-story/our-business/locations/). TFB Corporation, NV (Curaçao), serves as a holding company for Walmart's operating subsidiaries in Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica (See: Wal-Mart de México y Centroamérica, S.A. de C.V., Annual report for FY 2013, p. 41. http://www.walmex.mx/assets/files/infoanua.pdf).

CHILE

Walmart acquired a 74.6 percent stake in the company that became Walmart Chile indirectly, through two British Virgin Islands subsidiaries, WM Latin American Holdings (BVI) III Corp. and WM Latin American Holdings (BVI) II Corp. For details of the transaction, see the Prospectus issued by another Walmart subsidiary, Inversiones Australes Tres Ltda., and filed by Walmart with the SEC. (Wal-Mart Stores, Inc., Amendment No. 7 to Form CB, Exhibit 2.1, February 23, 2009, pp. 3-7. http://www.sec.gov/Archives/edgar/data/104169/000119312509035167/dex21.htm). In February 2014, Walmart increased its stake in Walmart Chile S.A. to 99.72 percent. This transaction was apparently funded by WM Latin American Holdings (BVI) III Corp. Chile's Foreign Investment Committee reported that WM Latin American Holdings (BVI) III Corp. was the largest foreign investor in Chile during Q1 2014, injecting U.S.$1.5 billion into the country (Chamber of Commerce of Columbia and Chile, Estatuo de la Inversion Extranjera (D.L. 600), Principales inversiones materializadas. Period Enero-Marzo 2014 (Accessed 12/17/2014), p. 8. http://www.cccc.cl/documentos/Inver_Directa_Chile_Colombia_1er_trimestre_2014.pdf)

A note about WM Latin American Holdings (BVI) II Corp. and WM Latin American Holdings (BVI) III Corp.

These entities were used by Walmart to acquire its Chilean assets in a series of transactions in 2009 and 2014 (D&S 2009 Annual Report, p. 100. http://memoria.walmartchile.cl/2009/Memoria-DyS-2009.pdf). Details of the relevant corporate structure are provided in a filing to the SEC (Wal-Mart Stores, Inc., SEC Form CB Exhibit 2, (December 23, 2008), pp. 4-7. http://www.sec.gov/Archives/edgar/data/104169/000119312508259267/dex992.htm) In February 2014, Walmart increased its stake in Walmart Chile S.A. to 99.72 percent. This transaction was apparently funded by WM Latin American Holdings (BVI) III Corp. Chile's Foreign Investment Committee reported that WM Latin American Holdings (BVI) III Corp. was the largest foreign investor in Chile during Q1 2014, injecting U.S.$1.5 billion into the country (Chamber of Commerce of Columbia and Chile, Estatuo de la Inversion Extranjera (D.L. 600), Principales inversiones materializadas. Period Enero-Marzo 2014 (Accessed 12/17/2014), p. 8. http://www.cccc.cl/documentos/Inver_Directa_Chile_Colombia_1er_trimestre_2014.pdf). Current ownership cannot be re-confirmed through publicly available documents.

CHINA (RETAIL)

In 2007 Walmart acquired a 35 percent stake in the British Virgin Islands-domiciled Bounteous Company Limited (BCL), as well as voting rights to an additional 30 percent of BCL shares, for U.S.$640 million. BCL operates retail stores in China under the banner Trust Mart (Wal-Mart Stores, Inc., SEC Form 10-K for FY 2010 (March 30, 2010) Ex. 13, p. 37. http://www.sec.gov/cgi-bin/viewer?action=view&cik=104169&accession_number=0001193125-10-071652&xbrl_type=v#). In 2013, Walmart acquired the remaining shares of BCL for $101 million(Wal-Mart Stores, Inc., SEC Form 10-K for FY 2013 (March 26, 2013), Note 13, p. 54. http://www.sec.gov/cgi-bin/viewer?action=view&cik=104169&accession_number=0000104169-13-000011&xbrl_type=v#). Walmart acquired its stake in BCL through a British Virgin Islands subsidiary, MMVI China Investment Co., Ltd (MMVI) ("Case Law – Wal-Mart Acquisition of Shares in Chinese Trust-Mart Entities," in *Legal Flash, Published by the Shanghai Office of Cautrecasas, Gonçalves Pereira (June 20, 2013), p. 5-6*. http://www.cuatrecasas.com/media_repository/docs/esp/legal_flash_shanghai_office_-_june_2013_312.pdf)

CHINA (E-COMMERCE)

Walmart acquired its Chinese e-commerce company, Yihaodian, through a SIngapore subsidiary, GEC 2 PTE. Ltd. Walmart disclosed its acquisition of Yihaodian in its 10-K for FY 2013. (Wal-Mart Stores, Inc., SEC Form 10-K for FY 2013 (March 26, 2013) Ex. 13, p. 54. http://www.sec.gov/Archives/edgar/data/104169/000010416913000011/annualreporttoshareholders.htm). For a thorough description of the transaction see: Steven Wei Su "On the Way to the New Height: Walmart's Acquisition of Yihaodian Cleared on Conditions in China," Guo Lian Law Firm, (Accessed May 1, 2015). http://www.hg.org/article.asp?id=28037

GEC 2 PTE. Ltd, has appears to have been dissolved recently. It is impossible to determine from publicly disclosed information whether its parent company (GEC 3 PTE. Ltd) now holds Walmart's stake in Walmart's Chinese e-Commerce operations. (Company information for GEC PTE. Ltd 2 (No. 201112410H) and GEC PTE Ltd 3 (No. 201112406C) is available through the online portal of the Singapore Accounting and Corporate Regulatory Authority at: https://www.psi.gov.sg/NASApp/tmf/TMFServlet?app=RCB-BIZFILE-LOGIN-1B)

INDIA

Walmart has a small presence india, where it is working to change laws that make it difficult for foreign-owned multi-brand retailers to operate (see, Press trust of India, " Walmart seeks more clarity on FDI rules for multi-brand entry in India" (January 24, 2014). http://profit.ndtv.com/news/davos/article-walmart-seeks-more-clarity-on-fdi-rules-for-multi-brand-entry-in-india-378591). Walmart entered the Indian market through subsidiaries domiciled in Mauritius ("How Wal-Mart Stores Got a Foothold in India's Market." *Reuters (December 5, 2012)*. http://www.cnbc.com/id/100278365. Competition Commission of India, "Combination Registration No. C-2013/11/14," (December 12, 2013). http://www.cci.gov.in/May2011/OrderOfCommission/CombinationOrders/C-2013-11-141.pdf). Although the joint venture has been dissolved, Walmart remains active in India and the four Walmart subsidiaries identified in the Competition Commission document remain active, according to the Mauritius company registry, ast accessed November 4, 2014). The search page for the Mauritius registry is at: https://portalmns.mu/cbris-name-search/MASTActionServlet?do=ViewList&id=ViewListCBRIS.xml

JAPAN

Walmart acquired the Japanese retailer Seiyu through through several transactions between 2002 and 2008. Walmart owns Seiyu through a Swiss subsidiary that is, in turn, owned by a Luxembourg subsidiary. (See: Wyoming Holding GmbH, Abstract, Commercial Register of Schaffhausen (Accessed May 1, 2015) http://search.powernet.ch/webservices/net/HRG/HRG.asmx/getHRGHTML?chnr=CH-645.4.095.709-6&amt=290&toBeModified=0&validOnly=0&lang=1&sort=. Broadstreet of Munsbach Sarl, Annual Accounts for FY 2013. Azure Holdings Sarl, Annual Accounts for FY2013. Wal-Mart Stores, Inc., "Japan" (Accessed May 1, 2015). http://corporate.walmart.com/our-story/our-business/international/walmart-japan)

PUERTO RICO

Walmart tranferred ownership of Wal-Mart Puerto Rico to a Luxembourg subsidiary, WMT Apex Sarl, in 2012. (See: WMT Apex Sarl, Annual accounts for FY 2014. Wal-Mart Puerto Rico, Inc., Annual Report for FY 2014, Available through the Puerto Rico company register, at: https://prcorpfiling.f1hst.com/CorporationSearch.aspx)

UNITED KINGDOM

Walmart entered the U.K. market by acquiring the retailer ASDA in 1999. Currently, the majority (83 percent) owner of Asda's U.K. parent company, Broadstreet Great Wilson Europe Ltd., is the Netherlands-domiciled Broadstreet European Holdings Coöperatie BA (See: Broadstreet European Holdings Coöperatie B.A., Financial Report for FY 2014.) The remaining 17 percent of Asda's parent company appears to be jointly owned by WMT Canada Partners LP (CA) and Blueleaf Holdings, LLC (US). WMT Canada Partners LP acquired a 16.8 percent stake in BGWE in 2009 (Broadstreet Great Wilson Europe Limited, Annual Report and Financial Statements for FY 2010, p. 37) and BGWE paid 16.8 percent of its dividends to Blueleaf Holdings in 2010 (Broadstreet Great Wilson Europe Limited, Annual Report and Financial Statements for FY 2010, p. 38). Luxembourg-domiciled Azure Holdings Sarl is the parent company of WMT Canada Partners and Blueleaf Holdings (Azure Holdings Sarl, Annual accounts for FY 2013).

Appendix D: Wal-Mart Stores, Inc. SEC Form 10-K for FY 2015, Exhibit 21

Walmart does not formally disclose most of the subsidiaries revealed in this report. Walmart listed just six overseas subsidiaries in its most recent annual SEC filing, including entities registered in Canada, Chile, Japan, Mexico, South Africa and the United Kingdom. The listed subsidiaries are either operating companies or owners of operating companies in their respective countries. Walmart does not list the intermediate parent companies through which it owns these subsidiaries.

LIST OF THE COMPANY'S SIGNIFICANT SUBSIDIARIES, Exhibit 21

Walmart states in this filing that, "The following list details certain of the subsidiaries of Wal-Mart Stores, Inc. Subsidiaries not included in the list are omitted because, in the aggregate, they are insignificant as defined by Item 601(b(21) or Regulation S-K"

SUBSIDIARY	ORGANIZED OR INCORPORATED	PERCENT OF EQUITY SECURITIES OWNED	NAME UNDER WHICH DOING BUSINESS OTHER THAN SUBSIDIARY'S
Wal-Mart Stores East, LP	Delaware, U.S.	100%	Walmart
Wal-Mart Stores Texas, LLC	Delaware, U.S.	100%	Walmart
Wal-Mart Property Company	Delaware, U.S.	100%	NA
Wal-Mart Real Estate Business Trust	Delaware, U.S.	100%	NA
Sam's West, Inc.	Delaware, U.S.	100%	Sam's Club
Sam's East, Inc.	Delaware, U.S.	100%	Sam's Club
Sam's Property Company	Delaware, U.S.	100%	NA
Sam's Real Estate Business Trust	Delaware, U.S.	100%	NA
ASDA Group Limited	England	100%	ASDA
Wal-Mart de Mexico, S.A.B. de C.V.	Mexico	70%	Walmex
Wal-Mart Canada Corp.	Canada	100%	Walmart
Wal-Mart Japan Holdings G.K.	Japan	100%	Seiyu
Walmart Chile S.A.(1)	Chile	100%	Walmart Chile
Massmart Holdings Ltd	South Africa	52%	Massmart

(1)The Company owns substantially all of Walmart Chile.

Sources: Wal-Mart Stores, Inc., SEC Form 10-K for FY 2015 (April 1, 2015), Exhibit 21. SEC Requirements for disclosure of subsidiaries are available at 17 CFR 229.601 - (Item 601) Exhibits, b (21) and Regulation S-X (17 CFR part 210), (W).

Appendix E: Financial transfers to Luxembourg subsidiaries from Walmart subsidiaries located outside of tax havens (FY 2012 through FY 2014)

	SOURCE OF TRANSFER	LUXEMBOURG RECIPIENT OF TRANSFER	AMOUNT ($US)	DATE RECEIVED
CONTRIBUTIONS	Wal-Mart International Holdings, Inc. (US)	Broadstreet Sarl	$16,000	06/19/2013
	Wal-Mart International Holdings, Inc. (US)	Broadstreet Sarl	$72,000	09/18/2013
	Bipco Holding LLC (US)	Grupo Wal-Mart Sarl	$12	02/11/2013
	Bipco Holding LLC (US)	Grupo Wal-Mart Sarl	$20	02/11/2014
	Wal-Mart Canada Corp (CAN)	WMT Brasilia Sarl	$2,456,047,410	09/20/2013
	Wal-Mart Canada Corp (CAN)	WMT Brasilia Sarl	$100,000	08/1/2013
		TOTAL CONTRIBUTIONS	**$2.5 BILLION**	
DIVIDENDS	WMT Canada Partners LP (CAN)	Azure Holdings Sarl	$581,935,355	FY 2013
	Blueleaf Holdings LLC (US)	Azure Holdings Sarl	$76,064,820	FY 2013
	Blueleaf Holdings LLC (US)	Azure Holdings Sarl	$9,666,959	FY 2012
	WMT Canada Partners LP (CAN)	Azure Holdings Sarl	$250,332,982	FY 2012
	Jubilee Holdings LLC (US)	Broadstreet Mexico Sarl	$182,749,679	FY2014
	Jubilee Holdings LLC (US)	Broadstreet Mexico Sarl	$3,766,644	FY2013
	Jubilee Holdings LLC (US)	Broadstreet Mexico Sarl	$437,000,000	FY 2013
	MCLM III LLC (US)	Grupo Wal-Mart Sarl	$912,687,690	FY 2014
	MCLM III LLC (US)	Grupo Wal-Mart Sarl	$513,009,552	FY 2013
	MCLM III LLC (US)	Grupo Wal-Mart Sarl	$374,812,684	4/29/2014
	Wal-Mart Puerto Rico Inc. (PR)	WMT Apex Sarl	$19,000,000	FY 2014
	Wal-Mart Puerto Rico Inc. (PR)	WMT Apex Sarl	$32,768,520	FY 2013
	Broadstreet South Bank Limited Partnership (UK)	WMT Global Management Sarl	$437,100,000	FY 2012
		TOTAL DIVIDENDS	**$3.8 BILLION**	
INTEREST	Walmart B.C. Holdings 2 ULC (CAN)	Azure Holdings Sarl	$12,618,324	FY 2013
	Walmart B.C. Holdings 2 ULC (CAN)	Azure Holdings Sarl	$14,817,861	FY 2012
	Massmart Management & Finance Co (South Africa)	Main Street 1021 (Proprietary) Limited Sarl	$3,145,560	FY 2014
	WM SA Investments Limited (UK)	Main Street 824 (Proprietary) Limited [Irish Branch]	$48,200,000	04/25/2014
	WM SA Investments Limited (UK)	Main Street 824 (Proprietary) Limited Sarl	$95,736,986	FY 2014
	WM SA Investments Limited (UK)	Main Street 824 (Proprietary) Limited Sarl	$96,263,014	FY 2013
	Wal-Mart Stores (UK) Limited/McLagan Investments Ltd. (UK)	Munsbach Norco Sarl	$70,993,500	FY 2013
	Wal-Mart Stores (UK) Limited/McLagan Investments Ltd. (UK)	Munsbach Norco Sarl	$56,928,100	FY 2012
	Wal-Mart International Holdings, Inc. (US)	Wal-Mart Euro Finance Co Sarl	$105,272,419	FY 2013
	Wal-Mart International Holdings, Inc. (US)	Wal-Mart Euro Finance Co Sarl	$105,560,837	FY 2012
		TOTAL INTEREST	**$609.5 MILLION**	

GRAND TOTAL $6.9 BILLION

Sources: Annual accounts for the Luxembourg recipient companies. Available upon request.

Appendix F: Transfers to Wal-Mart Stores, Inc. (U.S.) and Wal-Mart International Holdings Inc. (U.S.) from Walmart subsidiaries in Luxembourg (FY 2012 through FY 2014)

U.S. RECIPIENT OF TRANSFER	LUXEMBOURG SOURCE OF TRANSFER	FORM OF TRANSER	TRANFER AMOUNT (U.S.$)	DATE	CURRENTLY TAXABLE IN U.S.?	PAYMENT CATEGORY*
PAPER TRANSACTIONS THAT DID NOT CREATE CURRENT TAXABLE INCOME FOR U.S. ENTITY						
Wal-Mart International Holdings Inc (US)	WMT Pinnacle Holdings Sarl	Issuance of CPECs	$77,763,871	12/31/2013	NO	D
Wal-Mart International Holdings Inc (US)	WMT Pinnacle Holdings Sarl	Issuance of CPECs	$952,844,088	12/31/2013	NO	CPEC
Wal-Mart International Holdings Inc (US)	WMT Pinnacle Holdings Sarl	Issuance of CPECs	$1,490,795,132	12/31/2012	NO	CPEC
		TOTAL	**$2.5 BILLION**			
TRANSACTIONS FOR WHICH U.S. TAX LIABILITY CANNOT BE DETERMINED						
Wal-Mart International Holdings Inc (US)	WMT Pinnacle Holdings Sarl	Transfer of notes and accrued interest	$48,461,696	12/31/2013	UNCERTAIN	D
Wal-Mart International Holdings Inc (US)	WMT Pinnacle Holdings Sarl	Transfer of notes and accrued interest	$596,008,819	12/31/2013	UNCERTAIN	CPEC
		TOTAL	**$644.5 MILLION**			
TRANSACTIONS THAT CREATED TAXABLE INCOME TO U.S. ENTITY, IN THE ABSENCE OF OFFSETTING CREDITS OR DEDUCTIONS						
Wal-Mart Stores Inc	WMT Apex Sarl	Not disclosed	$29,461,668	01/18/13	PROBABLE	D
Wal-Mart Stores Inc	Azure Holdings Sarl	Not disclosed	$8,540,022	2013	PROBABLE	I
		TOTAL	**$38.0 MILLION**			

Sources: Annual accounts for WMT Pinnacle Holdings Sarl, WMT Apex Sarl and Azure Holdings Sarl for FY 2012 and FY 2013

Payment Categories

CPEC = Yield on convertible preferred equity certificates
D = Dividends
I = Interest
SPR = Share premium redemption

Endnotes

It is not possible to provide hyperlinks to annual accounts filings for subsidiaries in Luxembourg, the Netherlands and certain other jurisdictions because these documents are only available online for purchase through the respective national bodies or third-party providers. In all such cases, annual accounts documents or company filings cited in this report are available for review upon request.

For Luxembourg, annual accounts documents may be purchased through the R*egistre de Commerce et de Sociétés* at: https://www.rcsl.lu. Luxembourg Commercial Register filings are available for free by searching at: http://www.legilux.public.lu/entr/search/index.php. Appendix A provides hyperlinks to the Luxembourg Commercial Register home page for each of the Luxembourg subsidiaries identified in this report.

For the Netherlands, annual financial reports and other company documents are available for purchase from the Dutch Chamber of Commerce at: http://www.kvk.nl/english/. Hyperlinks to the Dutch Chamber of Commerce home page for each of the Netherlands subsidiaries are provided in Appendix A.

In many cases where it is not possible to provide links directly to company information, Appendix A provides links to a searchable national company register.

1. Fortune, "Walmart" (Accessed June 9, 2015). http://fortune.com/fortune500/walmart-1/
2. Windmill American Holdings B.V., "Bedrijfsprofiel" (Accessed December 11, 2014). Acquired from the Dutch Chamber of Commerce at: https://server.db.kvk.nl/TST-BIN/FU/TSWS001@?BUTT=34305059. Broadstreet International Partners Sarl, Luxembourg Commercial Register Publication No. 2012167544/19 (December 21, 2012). http://www.etat.lu/memorial/2013/C/Html/0186/2012167544.html
3. Citizens for Tax Justice and U.S. PIRG, "Offshore Shell Games: The Use of Offshore Tax Havens by Fortune 500 Companies" (June 4, 2014). http://ctj.org/pdf/shellgamesdata.xls (This is an excel table that can be sorted by number of tax havens or the amount of earnings kept offshore).For a discussion of definitional questions concerning tax havens and secrecy jurisdictions see: Congressional Research Service, "Tax Havens: International Tax Avoidance and Evasion," (January 15, 2015). https://www.fas.org/sgp/crs/misc/R40623.pdf
   Tax Justice Network, "What is a secrecy jurisdiction?" (October 27, 2013). http://www.financialsecrecyindex.com/PDF/WhatIsASecrecyJurisdiction.pdf
4. Asset values may be understated because they are recorded and disclosed in Luxembourg and Netherlands financial reports at their historic book value, and also because this estimate does not include all Walmart assets likely held through subsidiaries in tax havens. The values reported here are taken from the most recent annual financial reports for the following Walmart subsidiaries: Walmart Investments Coöperatie U.A. (assets of $12,387,600,000, converted from $CAD using the OANDA rate) as of January 31, 2014); WMT Pinnacle Holdings Sarl (assets of $47,852,918,333, as of December 31, 2013); and Broadstreet Continental Finance Sarl (assets of $16,334,849,434 as of December 31, 2013). The financial reports are available upon request. In order to arrive at an estimate of total assets in subsidiaries in tax havens, only the assets of these three high-level subsidiaries were included. This procedure was followed in order to avoid double counting of underlying assets. The lack of transparency in the relevant filings makes it impossible to be certain that no assets were double counted. These estimates do not include Walmart's operations in China, Chile, and India, which are owned by subsidiaries in tax havens such as Mauritius and the British Virgin Islands, where there is no public disclosure of company accounts. Walmart's Argentinian operating company is owned by a Spanish subsidiary, which until recently provided tax benefits to Walmart under the terms of an Argentina-Spanish tax treaty that has been renegotiated.
5. Wal-Mart Stores, Inc., 10-K for FY 2014 (WMT 10-K, 2014), (March 21, 2014), Exhibit 13, p.53. http://www.sec.gov/Archives/edgar/data/104169/000010416914000019/wmt13114ars.htm. The relevant asset values are as follows: Walmart U.S. ($98.7 billion); Walmart International ($85.23 billion); Sam's Club ($14 billion).

6. Walmart de México S.A.B. de C.V. (Walmex), Annual Report for FY 2013 (February 27, 2014). http://www.walmex.mx/assets/files/infoanua.pdf
Grupo Walmart Sarl, Luxembourg Commercial Register Publication No. 2010148462/649 (November 10, 2010). http://www.etat.lu/memorial/2010/C/Html/2653/2010148462.html.
Grupo Walmart Sarl, Annual accounts for FY 2014.
Walmart owns its stake in Walmart de México through a Mexican limited liability company (Intersalt, SRL) whose direct parent remains undisclosed. One of Walmart's Luxembourg subsidiaries, with $33.5 billion in assets, is registered in Mexico but managed and administered from Luxembourg. It is not possible to determine whether this company's assets include Walmart's Mexican operating company and/or bank.

7. Service Ontario Land Registry report (December 15, 2011), pp. 44-45. http://www.downloads.ene.gov.on.ca/files/besr/RSC%20201408.pdf
Walmart Investments Coöperatie Financial report for FY 2014.
Walmart BC Holding 2 ULC (Canada) appears to own real estate in Canada and is in turn owned by a Netherlands subsidiary.

8. SEC regulations require the disclosure of "significant subsidiaries" (See 17 CFR 229.601 - (Item 601) Exhibits, b (21) at: https://www.law.cornell.edu/cfr/text/17/229.601). A significant subsidiary is defined as one constitutes 10 percent or more of the company's assets or income (see: Regulation S-X (17 CFR part 210), (W) at: https://www.law.cornell.edu/cfr/text/17/210.1-02).

9. Citizens for Tax Justice and U.S. PIRG, "Offshore Shell Games: The Use of Offshore Tax Havens by Fortune 500 Companies" (June 4, 2014), p. 11. http://ctj.org/pdf/offshoreshell2014.pdf

10. WMT Brasilia Sarl, Annual accounts for FY 2013.
WMT Global Management Sarl, Annual accounts for FY 2013.
Grupo Wal-Mart Sarl, Annual accounts for FY 2013.
Rhine American Holdings Coöperatie BA, Financial report for FY 2014.
The subsidiaries include Bipco Holding LLC (Value: $12), Brazil Segundo LLC (Value: $104), Broadstreet European LLC (Value: $73,548), Broadleaf Investments LLC (Value: $306,576), Alphen Shares LLC (Value: $9,865,754,965) and MCLM III LLC (Value: $31,634,655,714).

11. TFB Corporation N.V., Company filing in the Curaçao Commercial Register (Accessed May 5, 2015) via http://www2.curacao-chamber.cw/
For example, TFB Corporation N.V. was formed in the Dutch Antilles (now Curaçao) in 1992.

12. The asset values are those reported in the respective annual accounts. Wal-Mart established two Luxembourg subsidiaries (Broadstreet of Munsbach Sarl and Broadstreet Continental Finance Sarl) prior to November 2009. As of December 31, 2009, these entities reported combined assets of $19.1 billion (asset values converted to U.S.$ using OANDA rates for 12/31/2012). As of December 31, 2013, Wal-Mart's Luxembourg subsidiaries held assets valued at $64.2 billion, after accounting for cross-ownership to the extent allowed by Walmart's incomplete disclosures.

13. International Consortium of Investigative Journalists (ICIJ), "Luxembourg Leaks: Global Companies' Secrets Exposed" (accessed April 24, 2015). http://www.icij.org/project/luxembourg-leaks
KPMG Tax Luxembourg, "Luxembourg tax opportunities for U.S. investors" (November 4, 2010). http://www.texastaxsection.org/Uploads/Symposium_Luxembourg2010.pdf

14. “The main purpose of using a standard Luxembourg holding company, also called a ‘SOPARFI’, is to ensure the tax efficiency of the group’s repatriation of profits to investors and its inter-group financing operations. The recent abolition of capital duty, the reduction of the corporate income tax rate from January 2009 and the abolition of withholding tax on dividends paid to entities established in a country which has concluded a double taxation treaty (“DTT”) with Luxembourg will no doubt make SOPARFIs even more attractive.” See: NautaDutilh, “Luxembourg holding companies: competitive and tax efficient” (June 2009). http://www.nautadutilh.com/PageFiles/14349/Luxembourg%20holding%20companies%20competitive%20and%20tax%20efficient.pdf

15. ICIJ, “Leaked Documents Expose Global Companies’ Secret Tax Deals in Luxembourg” (November 5, 2014). http://www.icij.org/project/luxembourg-leaks/leaked-documents-expose-global-companies-secret-tax-deals-luxembourg

16. ICIJ, “‘Fundamental Change’ in EU Tax Rules After LuxLeaks” (March 18, 2015). http://www.icij.org/blog/2015/03/fundamental-change-eu-tax-rules-after-luxleaks
ICIJ, “Europe to Fast-Track Action Against ‘Sweetheart’ Deals” (December 3, 2014). http://www.icij.org/blog/2014/12/europe-fast-track-action-against-sweetheart-deals

17. European Commission Competition Commission, “State aid: Commission extends information enquiry to all Member States” (December 17, 2014). http://europa.eu/rapid/press-release_IP-14-2742_en.htm

18. European Commission, “State Aid Control: Overview” (accessed May 27, 2015). http://ec.europa.eu/competition/state_aid/overview/index_en.html
European Commission Competition Commission, “State aid: Commission extends information enquiry to all Member States” (December 17, 2014). http://europa.eu/rapid/press-release_IP-14-2742_en.htm

19. Wal-Mart’s Luxembourg subsidiaries use fiscal years ending either December 31 or January 31. The annual accounts consulted for this analysis were for the years ended December 31, 2012 and 2013, or January 31, 2013 and 2014. In terms of calendar years, the periods covered by these disclosures include roughly 2012 and 2013. Where the filings disclose payments or transfers made after the year-end date, those transactions have been included in this analysis. Where necessary, currency translation has been provided using OANDA.com as of the date of the annual accounts. The analysis excludes transactions for which the payer is not specifically identified. For example, although we are certain that Broadstreet Great Wilson Europe Ltd. (UK) has a large debt to one of the Luxembourg subsidiaries and consequently makes significant interest payments to it (see “Walmart pays interest to itself, thus shifting foreign profits to Luxembourg and avoiding foreign taxes) those payments have been excluded from this analysis because Broadstreet Great Wilson Europe is not specifically identified as the payer in the annual accounts filings, which refer only to “related parties.”

20. Original analysis of annual accounts for Azure Holdings Sarl, Broadstreet Mexico Sarl, Broadstreet Sarl, Grupo Wal-Mart Sarl, Main Street 1021 (Proprietary) Limited Sarl, Main Street 824 (Proprietary) Limited – Ireland, Main Street 824 (Proprietary) Limited Sarl, Munsbach Norco Sarl, Wal-Mart Euro Finance Co. Sarl, WMT Apex Sarl, WMT Brasilia Sarl and WMT Global Management Sarl. See Appendix E.

21. The anlaysis is limited to these entities because the other U.S.-domiciled entities that received transfers from Luxembourg are limited liability companies, meaning that their income is not taxed until it is distributed to the company’s owners. As a result, payments to these companies originating in Luxembourg are not likely to be characterized as income for U.S. tax purposes. In contrast, payments from Luxembourg to Wal-Mart Stores, Inc. and Wal-Mart International Holdings, Inc. would likely be characterized as income for U.S. tax purposes, depending on the nature of the payments. The U.S.-domiciled LLCs receiving transfers from Luxembourg, but excluded from this analysis, include: MCLM III, LLC, which received a $5 million contribution from its owner, Grupo Wal-Mart Sarl (Grupo Wal-Mart Sarl, Annual accounts FY 2014) and Munsbach of Arkansas, LLC, which received £80.7 million in interest payments from Munsbach Norco Sarl (Munsbach Norco Munsbach Norco Sarl, Annual accounts for FY 2012 and FY2013).

22. For a discussion of CPECs, see pp. 19–21. Share premium is a contribution by a shareholder to a company that is in excess of the shares provided to the shareholder by the company. This means that any redemption of share premium is more or less a return of capital and not necessarily taxable.

23. This estimated tax rate is calculated on the reported combined income of all of Walmart's known Luxembourg subsidiaries, for fiscal years ending December 31, 2010 through January 31, 2014. The calculation takes into account all taxes paid by those subsidiaries, including taxes on profits, net wealth tax, and VAT. The estimate arguably overstates the tax rates on Walmart's Luxembourg subsidiaries because it does not make any adjustments for questionable deductions from income, such as the $2.5 billion in interest expenses on a hybrid loan deducted by WMT Pinnacle Sarl (See WMT Pinnacle Sarl, Annual accounts for FY 2012 and FY 2013). Annual accounts documents and calculations available upon request.

24. Grupo Wal-Mart Sarl, Annual accounts for FY 2014.
Broadstreet Mexico Sarl, Annual accounts FY 2013 and FY 2014.
and Azure Holdings Sarl, Annual accounts for FY 2013.

25. Grupo Wal-Mart Sarl, Annual accounts for FY 2014.

26. Broadstreet Mexico Sarl, Annual accounts for FY 2013 and FY 2014.

27. At the beginning of FY 2013, Jubilee Holdings was valued at $3.8 billion on the books of Broadstreet Mexico Sarl. At the end of the year, Jubilee was dissolved and its assets distributed to its owner, Broadstreet Mexico Sarl, which disclosed a new $3.4 billion in loans to Grupo Wal-Mart the following year (Broadstreet Mexico Sarl, Annual accounts for FY 2013 and FY 2014. Available upon request.)

28. Azure Holdings Sarl, Annual accounts for FY 2013.

29. Broadstreet Great Wilson Europe Limited, Annual Report and Financial Statements for FY 2010 (September 19, 2011), p. 37.

30. Ontario Land Registry report (December 15, 2011), pp 44-45. http://www.downloads.ene.gov.on.ca/files/besr/RSC%20201408.pdf

31. Walmart Investments Coöperatie, Financial report for FY 2014.

32. A detailed explanation of this analysis and the underlying data are available upon request.

33. Broadstreet of Munsbach Sarl, Annual accounts for FY 2013.
Munsbach Norco Sarl, Annual accounts for FY 2014.

34. MassMart Holdings Ltd., Integrated Annual Report for FY 2013, Note 23, Non-Current Liabilities (Accessed April 25, 2015). http://www.massmart.co.za/iar2013/23-non-current-liabilities/

35. Walmart Chile, Annual Reports for FY 2010 through FY 2013. Full analysis and underlying data available upon request. The recipients of the Walmart Chile interest payments included in this analysis include Inversiones Australes Uno Ltda., Inversiones Australes Dos Ltda., Inversiones Australes Tres Ltda. and Inversiones Australes Cinco Ltda.

36. Inversiones Australes Tres Limitada, SEC Form CB Exhibit 2 (December 23, 2008), pp. 4-7.
http://www.sec.gov/Archives/edgar/data/104169/000119312508259267/dex992.htm
Inversiones Australes Tres Limitada, "Prospectus: Public Offering for the Purchase of Shares of Distribución y Servicio D&S S.A." (December 23, 2008). http://www.sec.gov/Archives/edgar/data/104169/000119312508259267/dex992.htm
Inversiones Australes Tres Limitada, "Prospectus: Public Offering for the Purchase of Shares of Distribución y Servicio D&S S.A." (February 23, 2009). http://www.sec.gov/Archives/edgar/data/104169/000119312509035167/dex21.htm

37. Currency translation using OANDA rates, as of December 31, 2014. http://www.oanda.com/currency/converter/

38. Walmart Chile, Annual Report for FY 2014, p. 86. http://memoria.walmartchile.cl/2014/Memoria-WalmartChile-2014.pdf

39. As evidenced by the lack of an associated Chilean TAX ID number in the Walmart Chile annual report.

40. WMT Global Management Sarl, Annual accounts for FY 2014, p. 8.

41. OECD Publishing, "Neutralising the Effects of Hybrid Mismatch Arrangements" (2014). http://www.oecd.org/ctp/neutralising-the-effects-of-hybrid-mismatcharrangements-9789264218819-en.htm

42. WMT Pinnacle Holdings Sarl, Luxembourg Commercial Register Publication 2012013737/129, (January 26, 2012). http://www.etat.lu/memorial/2012/C/Html/0660/2012013737.html
Azure Holdings Sarl, Luxembourg Commercial Register Publication 2011163054/145 (November 29, 2011). http://www.etat.lu/memorial/2011/C/Html/3226/2011163054.html
This transfer was part of a two-step transaction. Walmart subsidiaries from around the world were first placed under the ownership of Azure Holdings Sarl. Azure Holdings was then placed under the ownership of WMT Pinnacle Holdings Sarl.

43. Wyoming Holding GmbH Abstract (Accessed March 8, 2015). http://sh.powernet.ch/webservices/inet/HRG/HRG.asmx/getHRGHTML?chnr=6454095709&amt=290&toBeModified=0&validOnly=0&lang=4&sort=0
Progressive Grocer, "Wal-Mart International COO Tapped to be C.E.O. of Seiyu," (November 2, 2005). http://www.progressivegrocer.com/%25cat%25wal-mart-international-coo-tapped-be-ceo-seiyu
Sumitomo Corporation, letter to the U.S. SEC, dated December 4, 2007. http://www.sec.gov/Archives/edgar/vprr/07/9999999997-07-051184). Pinnacle's subsidiary, Azure Holdings, owns Wyoming Holding GmbH, a Swiss company that owns Walmart's stake in the Japanese retailer Seiyu.

44. WMT Apex Sarl, Annual accounts for FY 2012.
WMT Apex Sarl, Annual Accounts for FY 2013.
Pinnacle's subsidiary, Azure Holdings, is the parent company of WMT Apex Sarl, which owns Wal-Mart Puerto Rico, Inc.

45. Blueleaf Holdings LLC and WMT Canada Partners LP became indirect subsidiaries of WMT Pinnacle Holdings when Walmart made Pinnacle the owner of their immediate parent, Azure Holdings Sarl. It appears that WMT Canada Partners and Blueleaf Holdings LLC jointly own 16.8 percent of the U.K.-domiciled Broadstreet Great Wilson Europe Ltd., which is in turn the indirect parent of Asda. WMT Canada Partners acquired a 16.8 percent stake in BGWE in 2009 (Broadstreet Great Wilson Europe Limited, Annual Report and Financial Statements for FY 2010, p. 37) and BGWE paid 16.8 percent of its dividends to Blueleaf Holdings LLC in 2010 (Broadstreet Great Wilson Europe Limited, Annual Report and Financial Statements for FY 2010, p. 38).

46. The unidentified assets could be almost anything Walmart owns around the world, including operating companies not already accounted for, financial assets such as loans, intellectual property, or real estate. For example, it is impossible to determine what assets are held by the Cayman Islands company, Qomolangma Holdings Ltd, (valued on Azure's books at $736.1 million) or the Canadian-domiciled WMT Canada Partners LP (another Azure subsidiary, valued at $11.8 billion). Neither is it possible to determine the nature of $33.5 billion in assets attributed to Azure subsidiary Grupo Wal-Mart Sarl, most of which is attributed to a U.S.-domiciled company named MCLM III, LLC (Azure Holdings Sarl, Annual accounts for FY 2013; Grupo Wal-Mart Sarl, Annual accounts for FY 2013).

47. WMT Pinnacle Holdings Sarl, Annual accounts for FY 2011.
Note that in the company's subsequent financial statements, the entities holding the CPECs are Wal-Mart International Holdings, Inc. and WMT Zenith Corp., both of which are domiciled in the United States (WMT Pinnacle Holdings Sarl, Annual accounts for FY 2012). Just 0.006 percent of the CPECs were issued to WMT Zenith Corp, domicile undetermined.

48. Although the documents filed by Walmart's Luxembourg subsidiaries do not explicitly identify the issuance of CPECs as consideration for the assets transferred to Pinnacle, the implications of these transactions are quite clear. For more insight into this type of transaction, see the 2007 documentation of a Luxembourg tax ruling regarding a similar transaction by the London-based private equity firm Doughty Hanson & Co. See PricewaterhouseCoopers, Letter to the Luxembourg Bureau d'imposition

Societes VI, dated March 20, 2007, published online by The Irish Times (Accessed June 11, 2015). http://www.irishtimes.com/polopoly_fs/1.1975686.1414145940!/menu/standard/file/DHCLux_200307.pdf

49. KPMG Tax Luxembourg, "Luxembourg tax opportunities for US investors," (November 4, 2010), slide 16. http://www.texastaxsection.org/Uploads/Symposium_Luxembourg2010.pdf

50. WMT Pinnacle Holdings Sarl, Annual accounts for FY 2012 and FY 2013.

51. WMT Pinnacle Holdings Sarl, Annual accounts for FY 2012 and FY 2013.

52. WMT Pinnacle Holdings Sarl, Annual accounts for FY 2012 and FY 2013.
Azure Holdings Sarl, Annual accounts for FY 2012 and FY 2013.

53. WMT Pinnacle Holdings Sarl, Annual accounts for FY 2012 and FY 2013.

54. Pepper Hamilton LLP, "Strategies and Hybrid Instruments: A Practitioner's Guide" (June 15, 2007). http://www.pepperlaw.com/publications/strategies-and-hybrid-instruments-a-practitioners-perspective-2007-06-15/

55. United States Senate Permanent Subcommittee on Investigations, Exhibits to the Hearing on Offshore Profit Shifting and the U.S. Tax Code (September 20, 2012), pp. 25-27. http://www.hsgac.senate.gov/download/?id=7B9717AF-592F-48BE-815B-FD8D38A71663
Kate Linebaugh, "How Firms Tap Overseas Cash," The Wall Street Journal (March 28, 2013). http://www.wsj.com/articles/SB10001424127887323361804578388522312624686

56. Testimony of Stephen E. Shay before the U.S. Senate Permanent Subcommittee on Investigations of the Committee on Homeland Security and Governmental Affairs Hearing on Offshore Profit Shifting and the Internal Revenue Code, May 21, 2013. http://www.hsgac.senate.gov/download/?id=c8199653-35a4-49b2-82fc-9b5031f2cd0e

57. Memorandum of Senators Carl Levin and Tom Coburn, United States Senate Permanent Subcommittee on Investigations, Exhibits to the Hearing on Offshore Profit Shifting and the U.S. Tax Code (September 20, 2012), p. 14. http://www.hsgac.senate.gov/download/?id=7B9717AF-592F-48BE-815B-FD8D38A71663
Sam K. Kaywood, Jr. and Brian Harvel, "International Tax Planning With Foreign Subsidiaries," Association of Corporate Counsel, Corporate & Securities Law Committee Meeting (May 14, 2013). http://webcasts.acc.com/handouts/CSL_May_LQH.pdf

58. Ibid

59. Memorandum of Senators Carl Levin and Tom Coburn, United States Senate Permanent Subcommittee on Investigations, Exhibits to the Hearing on Offshore Profit Shifting and the U.S. Tax Code (September 20, 2012), p. 3. http://www.hsgac.senate.gov/download/?id=7B9717AF-592F-48BE-815B-FD8D38A71663

60. It is impossible to determine from publicly disclosed information if the transactions identified here encompass the full extent of short-term loans taken by Walmart from its subsidiaries in tax havens. In the first place, the disclosures in the Luxembourg filings are somewhat irregular – they are typically notes reporting activity that occurred after the end of the fiscal year, but prior to the filing of the annual accounts. In addition, these disclosures are all quite recent, which may indicate that Walmart is just ramping up this type of borrowing. Finally, Walmart subsidiaries domiciled in other tax havens either do not file annual accounts, or the disclosure requirements for their annual accounts do not include reporting of loan transactions.

61. This is the amount of short-term loans to Wal-Mart Stores, Inc. and Wal-Mart Holding International, Inc. reported by Wal-Mart's Luxembourg subsidiaries in their annual accounts for FY 2013 and FY 2014.

62. Lowell D. Yoder, "Short-Term CFC Loans May Avoid Code Sec. 956," International Tax Journal (January-February 2008). http://www.mwe.com/info/pubs/ITJ_34-01_EIC.pdf

63. Testimony of Mike Duke before the Senate Finance Committee (July 26, 2011). http://www.finance.senate.gov/imo/media/doc/Testimony%20of%20Michael%20Duke%20(Revised).pdf

64. Richard Rubin, "U.S. Companies Are Stashing $2.1 Trillion Overseas to Avoid Taxes," Bloomberg (March 4,

2015). http://www.bloomberg.com/news/articles/2015-03-04/u-s-companies-are-stashing-2-1-trillion-overseas-to-avoid-taxes

65. Steven Sloan, "U.S. Chamber Says Tax Holiday Would Expand Economy 4 Percent," Bloomberg (September 7, 2011). http://www.bloomberg.com/news/articles/2011-09-07/u-s-chamber-says-tax-holiday-would-expand-economy-by-4-percent

66. President's Fiscal Year 2016 Budget Summary Tables, "Table S–2. Effect of Budget Proposals on Projected Deficits," see "Transition revenue from business tax reform" (Accessed June 12, 2015) http://1.usa.gov/1EbX8W2

67. Testimony of Mike Duke before the Senate Finance Committee (July 26, 2011). http://www.finance.senate.gov/imo/media/doc/Testimony%20of%20Michael%20Duke%20(Revised).pdf

68. Citizens for Tax Justice, "Ten Corporations Would Save $82 Billion in Taxes Under Obama's Proposed 14% Transition Tax" (Feb. 3, 2015). http://ctj.org/ctjreports/2015/02/ten_corporations_would_save_82_billion_in_taxes_under_obamas_proposed_14_transition_tax.php#.VXfk289Viko

69. Wal-Mart Stores Inc., SEC Form 10-K for FY 2015 (April 1, 2015), Exhibit 13, pp. 11-12. http://www.sec.gov/Archives/edgar/data/104169/000010416915000011/wmtars-1312015.htm

70. Calculated by dividing Walmart's current and deferred provision for foreign income tax on earnings by the company's foreign operating income. See Wal-Mart Stores Inc., SEC Form 10-K for FY 2006 through FY 2015. http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000104169&type=10-K&dateb=&owner=exclude&count=40

71. Edward D. Kleinbard, "'Competitiveness' Has Nothing to Do With It," 144 Tax Notes 1055 (September 1, 2014), pp. 1058-159. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2476453

72. Citizens for Tax Justice, "Addressing the Need for More Federal Revenue" (July 8, 2014). http://ctj.org/ctjreports/2014/07/addressing_the_need_for_more_federal_revenue.php#_edn38

73. This applies only to active income, that is income from ownership of a business in which there has been material participation, as would be the case where Walmart owns a foreign retailer. This contrasts with passive income, such as interest, rents, or royalties derived from businesses conducted with unrelated persons, which is not be eligible for deferral.

74. Thomas L. Hungerford, "The simple fix to the problem of how to tax multinational corporations – ending deferral," Economic Policy Institute Issue Brief (March 31, 2014). http://s3.epi.org/files/2014/how-to-tax-multinational-corporations.pdf

75. Wal-Mart Stores Inc., SEC Form 10-K for FY 2009 (WMT 10-K, 2009) (March 27, 2009), Ex. 13, p. 31. http://www.sec.gov/Archives/edgar/data/104169/000010416909000006/dex13.htm
WMT 10-K, 2009, Ex. 13, p. 47. http://www.sec.gov/Archives/edgar/data/104169/000010416915000011/wmtars-1312015.htm

76. Citizens for Tax Justice and U.S. PIRG, "Offshore Shell Games: The Use of Offshore Tax Havens by Fortune 500 Companies" (June 4, 2014). http://ctj.org/pdf/shellgamesdata.xls (This is an excel table that can be sorted by number of tax havens or the amount of earnings kept offshore).

77. Jennifer Blouin, et al, "Where in the world are 'permanently reinvested' foreign earnings?" (December 2012), pp. 19 and 39. https://www.bus.miami.edu/_assets/files/faculty-and-research/academic-departments/accounting/seminars/Jennifer%20Blouin%20Paper.pdf

78. Chuck Marr and Chye-Ching Huang, "Repatriation Tax Holiday Would Lose Revenue and Is a Proven Policy Failure," Center on Budget and Policy Priorities (June 20, 2014). http://www.cbpp.org/cms/?fa=view&id=4154
Although the rationale for the tax holiday was that it would promote investment in U.S. job creation, this did not turn out to be the case. According to a National Bureau of Economic Research analysis, "Repatriations did not lead to an increase in domestic investment, employment or R&D—even for the firms that lobbied for the tax holiday stating these intentions and for firms that appeared to be financially constrained. Instead, a $1 increase in repatriations was associated with an increase of almost $1 in payouts to shareholders." (See: Dhammika Dharmapala, C. Fritz Foley and Kristin J. Forbes, "Watch What I Do, Not What I Say: The Unintended Consequences of the Homeland Investment Act" National

Bureau of Economic Research Working Paper 15023 (June 2009). http://www.nber.org/papers/w15023.pdf).

79. "Repatriating Offshore Funds: 2004 Tax Windfall for Select Multinationals," Majority Staff Report, United States Senate Permanent Subcommittee on Investigations (October 11, 2011) pp. 35-6. http://www.budget.senate.gov/democratic/public/index.cfm/documents---analyses?ID=de8f0f74-d401-4ef5-bdd7-c622803fe4bb

80. Edward D. Kleinbard, "'Competitiveness' Has Nothing to Do With It," 144 Tax Notes 1055 (September 1, 2014) pp. 1058-159. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2476453

81. Ibid

82. Americans for Tax Fairness, "How Walmart is Dodging Billions in Taxes and Scheming to Avoid Billions More" (November 2014), p. 10. http://www.americansfortaxfairness.org/files/Walmart-tax-report-Final-Final.pdf

83. By electing to disregard a subsidiary, a U.S. parent company avoids U.S. tax liability on the subsidiary's income until that income is distributed to the parent or another entity that is not disregarded. The election to disregard is made solely for tax planning purposes, and there is no legitimate business reason why it should not be made available to shareholders and the public.

84. European Commission, "State Aid Control: Overview," (Accessed May 27, 2015). http://ec.europa.eu/competition/state_aid/overview/index_en.html
European Commission Competition Commission, "State aid: Commission extends information enquiry to all Member States" (December 17, 2014). http://europa.eu/rapid/press-release_IP-14-2742_en.htm

85. OECD Publishing, "Guidance on Transfer Pricing Documentation and Country-by-Country Reporting" (2014). http://dx.doi.org/10.1787/9789264219236-en

86. Citizens for Tax Justice and U.S. PIRG, "Offshore Shell Games: The Use of Offshore Tax Havens by Fortune 500 Companies" (June 4, 2014), p. 5. http://ctj.org/pdf/offshoreshell2014.pdf

87. "Walmart on Tax Day: How Taxpayers Subsidize America's Biggest Employer and Richest Family" (April 2014). http://www.americansfortaxfairness.org/files/Walmart-on- Tax-Day-Americans-for-Tax-Fairness-1.pdf.
Americans for Tax Fairness, "The Walmart Tax Subsidy: Walmart's Wage Hike to $10/Hour Still Requires Large Taxpayer Subsidies" (April 1, 2015). http://www.americansfortaxfairness.org/files/Taxpayers-and-Walmart-ATF.pdf

88. U.S. PIRG, "Picking up the Tab 2015: Small Businesses Pay the Price for Offshore Tax Havens" (April 14, 2015), p. 1. http://uspirg.org/sites/pirg/files/reports/U.S.%20PIRG%20Ed%20Fund%20-%20Picking%20Up%20The%20Tab%202015.pdf