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THE WESTERN HEMISPHERE TRADE CORPORATION: A PROBLEM IN THE LAW OF SALES

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The purpose of this paper is to discuss in a practical and not too technical way the legislative background, the numerous and conflicting ideas about, and the substantive law that determines the source of income of Western Hemisphere Trade Corporations.

In the main, the material is the substance of studies and opinions (made and written by the authors over the past seven years) dealing with the various phases of law that have arisen in the practical operation of such companies.

The prime importance of Western Hemisphere Trade Corporations lies in the fact that they are exempt from surtax. This means a savings of 14% in the total tax rate or, expressed in another way, a reduction in tax cost of approximately 37%.¹

If a merchant could, by reorganizing his way of doing business, reduce his labor, materials, advertising or insurance costs 37%, naturally he would be interested and justified in doing so. The same is true of his tax costs, particularly when it is considered that the volume of foreign trade, because of dollar shortages, is shrinking substantially while all of the other costs are increasing.

It is difficult to say just how many enterprises there are that are taking advantage of this statute. It is certain, however, that the number would have become much greater except for the paucity of accurate information regarding the law. The use of these companies has been hampered by a lack of knowledge of the laws of the import countries affecting shipping documents, import permits, customs regulations, and dollar exchange licenses. All of these items yield to inquiry and the practical problems which they raise are capable of solution.

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¹Actually 36.8421%.

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