

Foreign-Trade Zone: Potential Benefits

There are many potential benefits to activating with FTZ 125 if you do business internationally. Some are directly tangible and impactful such as direct and significant savings, other ancillary benefits are unexpected, such as increased efficiency in inventory management and accounting. The benefits of activating in the Foreign Trade Zone depend upon your company's activities but could include:

Duty Deferral or Duty Aversion

Imports may be admitted and held in a foreign-trade zone without paying U.S. Customs duties. Customs duties are paid only when imported merchandise is shipped into U.S. Customs territory. This benefits the cash flow operation of the business. Items leaving the U.S. are never subject to import taxes. Items can be transferred between FTZs without being subjected to taxes.

Inverted Customs Duty Savings

FTZ users can pay the duty rate applicable to either raw materials or the finished product manufactured from the raw materials, depending upon which is lower.

Weekly Entry

Provides the zone user with the ability to operate their business 24/7 and file one Customs entry per week, rather than per shipment, saving merchandising processing fees. Filings also are generally electronic for quicker processing.

Merchandise Processing Fee (MPF)

The Weekly Entry reduction translates into significant savings in MPFs over the course of a year. The maximum weekly entry is capped at \$528.33. For a company not operating in a zone, it must pay an MPF for each individual entry.

U.S. Quotas

Most merchandise may be held in the FTZ, even if it is subject to absolute quota restrictions. When the quota opens, the merchandise may be immediately shipped into the U.S. Customs territory. Items can be stored indefinitely in a FTZ unlike a bonded warehouse.

Security

The FTZ is subject to Customs supervision and security procedures, saving you, the FTZ users, expenses for security and insurance.

Harbor Maintenance Fee

Fees are paid quarterly on merchandise admitted in the FTZ, not on U.S. Customs entry.

Inventory Control

FTZ operations require careful accounting on receipt, processing, and shipment of merchandise. Firms find that the increased accountability cuts down on problems with inaccurate receiving and shipping as well as waste and scrap.

Consumed Merchandise

Merchandise consumed during processing in the FTZ is generally not subject to Customs duties.

Inventory Taxes

By federal statute, tangible personal property imported from outside the U.S., and tangible personal property produced in the U.S. held in a zone for export are not subject to state and local ad valorem taxes. Most state and county tax authorities exempt all merchandise in the FTZ from inventory tax.

Exhibition Merchandise

May be held for exhibition without Customs duty payments. Many companies use FTZs as display areas for merchandise and machinery.

Reduced Insurance Costs

The insurable value of merchandise held in the FTZ need not include the Customs duty payable on the product. Therefore, insurance costs should be less.

Country of Origin Marking and Labeling

No country-of-origin labels are required on merchandise admitted to the FTZ, saving a complicated procedure and up-front expense. If needed, the labels can be applied in the FTZ.

Transfer of Title

Title to merchandise may be transferred in the FTZ, if there is no "retail" sale. The global supplier can own it until it is shipped just-in-time to local manufacturers.

Direct Delivery

The opportunity for foreign merchandise to be transported in-bond directly to the zone user's facility without Customs clearance at the first port of unloading, and without the in-bond carrier needing to report to the local Customs office prior to the delivery of the goods to the zone site.

Indefinite Storage

Allows for any size or quantity of merchandise to be placed in a foreign trade zone and stored for an indefinite period.

No Quotas

Foreign goods brought into a foreign trade zone are not regulated by quotas. Zone users can bring in bulk shipments and store quota goods in a zone until the next quota period allows importation and distribution into the United States, while also deferring the duty on those goods until the actual importation occurs.

Your consultant can provide the full analysis of your operations and opportunities for savings and other benefits.

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