

7 ways to harness the power of Foreign Trade Zones

By Jim Trubits

More and more U.S. companies are using Foreign Trade Zones (FTZ) to better manage their global supply chain costs. Here are seven advantages that showcase FTZ as a competitive alternative to a domestic distribution center.

Duty Deferral. Duties are only paid when imported merchandise enters U.S. Customs territory. Goods may be held in a FTZ indefinitely and without duty payment, allowing for improved cash flow.

Duty Avoidance. There are no duties on merchandise exported from a FTZ, transferred to another zone, or destroyed. This eliminates the need to manage costly and time consuming duty drawback programs.

Duty Inversion. The user may elect to pay the duty rate applicable to either the component materials or the finished goods produced from raw materials, depending on which is lower.

Inventory Tax Incentives. Companies that hold goods in a FTZ are exempt from inventory taxes. Also, certain tangible personal property is generally exempt from state and local ad valorem taxes.

No duty on value added. There are no duties on labor, overhead, or profit to operations performed within a FTZ.

Save with one weekly entry. Customs allows for weekly entry processing, which benefits importers because they pay Merchandise Processing Fees capped at \$485 per week, versus a per shipment basis.

Enhanced Security. By using an FTZ, the “internal controls” requirements of section 404 of the Sarbanes-Oxley Act are met. Participants in the Customs-Trade Partnership Against Terrorism (C-TPAT) program are eligible for additional Customs benefits.

By taking advantage of FTZ, U.S. companies can save on duty, improve their market competitiveness, and reap the rewards of a more secure supply chain.

