

FTZ ECONOMIC BENEFITS

Foreign Trade Zones provide a myriad of economic advantages for businesses involved in international trade. Primarily, merchandise may be assembled, manipulated, used in a manufacturing process, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, inspected, cleaned, combined with other domestic or foreign materials, displayed for sale and/or re-exported without payment of duty. Savings on personal property, sales and use taxes are possible since state and local governments generally do not impose such taxes on items in an FTZ. Additional savings on interest, labor and shipping costs may also result.

The intent of the original FTZ Act was to stimulate international trade and thereby create new jobs. These new jobs are in companies engaged in international trade, as well as those in spin-off industries. New capital investment, generated by firms who might otherwise have located in foreign countries, is another important advantage. Growth in new investment activity spurs development of industries.

1. **DUTY DEFERRAL** - Customs duties are paid only when imported merchandise is shipped into US Customs territory. Merchandise may be held in inventory in the FTZ without Customs duty, indefinitely.
2. **EXPORTS** - Customs duties are not paid on merchandise exported from the FTZ.
3. **DEFECTS, DAMAGE, OBSOLESCENCE, WASTE, SCRAP** - Customs duties are significantly reduced or eliminated on merchandise subject to defect, damage, obsolescence, waste and scrap in the FTZ.
4. **NONDUTIABILITY OF LABOR, OVERHEAD AND PROFIT** - Customs duties are not owed on labor, overhead and profit attributed to production operations in the FTZ.
5. **INVERTED CUSTOMS DUTY SAVINGS** - FTZ users may elect to pay the duty rate applicable to component materials or merchandise produced from component materials - whichever is lower.
6. **INTERNATIONAL RETURNS** - Merchandise exported and subsequently returned to the FTZ is not subject to Customs duties upon return. It can be repaired and re-exported without duty.
7. **SPARE PARTS** - Unneeded spare parts may either be returned to the foreign vendor free of duty or destroyed, avoiding Customs duties.
8. **US QUOTAS** - Most merchandise may be held in the FTZ, even if it's subject to US quotas. When the quota opens, the product may be immediately shipped into the US Customs territory.
9. **SIMPLIFIED IMPORT/EXPORT PROCEDURES** - Delays in Customs clearances and duty drawback procedures are eliminated. Delivery times are reduced by direct shipments and there is a new Weekly-entry provision for US Customs.
10. **QUALITY CONTROL** - The FTZ may be used for quality control inspections to ensure that only products that meet specifications are imported. Substandard goods can be destroyed before duty is paid.
11. **CARGO INSURANCE** - Some FTZ users have negotiated up to 40% reduction in cargo insurance rates because imported merchandise is shipped directly to the FTZ, thus avoiding potential pilferage at deep-water ports and major international airports.
12. **SECURITY** - The FTZ is subject to Customs supervision and security procedures, saving you, the FTZ users, expenses for security and insurance.
13. **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.
14. **CONSUMED MERCHANDISE** - Merchandise consumed in processing in the FTZ is generally not subject to Customs duties.
15. **INVENTORY TAXES** - By federal statute, tangible personal property imported from outside the US, and tangible personal property produced in the US 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.
16. **EXHIBITION** - Merchandise may be held for exhibition without Customs duty payments. Many companies use FTZ's as display areas for merchandise and machinery.
17. **REDUCED INSURANCE COSTS** - The insurable value of merchandise held in the FTZ need not include the Customs duty payable on products. Therefore, insurance costs should be less.
18. **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.
19. **ZONE-TO-ZONE TRANSFER** - An increasing number of firms are transferring merchandise from one zone to another. If the transfer is in-bond, customs duty is not owed until the product is finally shipped into the US.
20. **TRANSFER OF TITLE** - Title to merchandise may be transferred in the FTZ, as long as there is no "retail" sale. The global supplier can own it until it is shipped just-in-time to local manufacturers.
21. **ACCOUNTING SYSTEMS** - The specific identification of merchandise is unnecessary in the FTZ.

Source: *National Association of Foreign-Trade Zones*
<http://www.naftz.org/>



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