



# FOREIGN-TRADE ZONE

## What is a Foreign-Trade Zone?

The Foreign-Trade Zone program was created by the federal government, has existed since the 1930s, and is thriving today. Its purpose is to facilitate trade and increase the global competitiveness of U.S.-based companies.

Legally, a Foreign-Trade Zone (FTZ) is an area within the United States that the government considers outside the country, or at least outside the U.S. Customs territory. Certain types of merchandise can be imported into an FTZ without going through formal customs entry procedures or paying import duties.

Some of the benefits of operating within an FTZ are obvious. At the very least, an FTZ can help you defer paying duties. In addition to duty savings, it can streamline your supply chain and lower customs fees and insurance costs.

## FTZ Advantages/Improving Cash Flow

- Defer, reduce and/or eliminate U.S. Customs duties
- Saves time and money in your supply chain
- Elect preferential duty rates

## Activities Permitted in a Foreign-Trade Zone\*

Merchandise entering a zone may be:

Assembled	Repackaged	Cleaned	Tested	Destroyed	Processed	Manufactured
Stored	Sampled	Mixed	Salvaged	Relabeled	Manipulated	

\* The user must receive special approval from the FTZ Board for manufacturing.

## 10 Ways Your Company Can Benefit from Using a Foreign-Trade Zone:

- 1) Imports may be admitted and held in a foreign-trade zone without paying U.S. Customs duties.
- 2) FTZ users can pay the duty rate on component material or merchandise produced from component material—whichever is lower.
- 3) Customs duties are not paid on merchandise reexported from a zone.
- 4) Duties are reduced or eliminated on materials subject to defect, damage, obsolescence, waste or scrap.
- 5) Spare parts may be stored, returned or destroyed without duty payment.
- 6) Delays in customs clearances are reduced.
- 7) Duty drawbacks are eliminated.
- 8) Duties are not owed on labor, overhead or profit attributed to FTZ production operations.
- 9) Quality control inspections can identify substandard goods to be destroyed or returned without duty payment.
- 10) Duties continue to be deferred when FTZ merchandise is transferred from zone-to-zone.



**FOR MORE INFORMATION**

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