

WHAT IS FREE TRADE ZONE SPACE?

A Free Trade Zone (FTZ) or Export Processing Zone (EPZ) is an area of a country where some normal trade barriers -- such as duties, taxes, tariffs and quotes -- are lowered to encourage new business and foreign investments.

Most FTZs are located in developing countries (e.g. Brazil, El Salvador, Honduras, Kenya, Guatemala) but there are now FTZ opportunities – and benefits – in the United States. From a Just In Time (JIT) inventory perspective, the FTZ program offers many significant cost and time saving benefits.

CUT COSTS AND SPEED TRANSIT TIME

DUTY DEFERRAL: Imported products admitted to the FTZ are not entered into the Customer territory until their withdrawal from the FTZ. Therefore, users obtain a cash flow savings by deferring duties until the merchandise leaves the FTZ for consumption by the US consumer.

DUTY ELIMINATION: Imported products admitted to the FTZ and subsequently destroyed in the FTZ or exported from the FTZ are not subject to Customs duties.

DUTY REDUCTION: Imported products admitted to the FTZ can be placed in a special status that allows the merchandise to be classified and appraised in its condition as withdrawal from the FTZ. For manufacturers, this means that imported components with a higher duty rate can be classified and appraised in its finished product form, with a potentially lower rate of duty, thereby reducing the amount of duty owed.

WEEKLY VS. DAILY ENTRIES: Brokers fees and merchandise processing fees paid by Customs may be significantly reduced by filing weekly entries as opposed to daily manifests or one per shipment.

MINIMIZE INSPECTION TIME: Users may obtain permission from Customers to move merchandise directly from the port of arrival to the FTZ, avoiding delays at congested ports and minimizing inspection time at the ports.

OTHER BENEFITS: Cost and time savings for zone to zone transfers of inventory (FTZ to FTZ); certain duty deferral and reduction benefits also apply on production equipment admitted to the FTZ for assembly and testing prior to use in production, and more.