

ADVANTAGES OF FOREIGN TRADE ZONE VS. BONDED WAREHOUSE

| FUNCTION | FOREIGN TRADE ZONE | BONDED WAREHOUSE |
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| Customs Entry | A Foreign Trade Zone is not considered within customs territory. Customs entry is filed when goods are removed from the FTZ. | A bonded warehouse is within US Customs territory. Customs entry must be filed for goods to enter the warehouse. |
| Customs Bond | A Bond is not required for goods in an FTZ. Admissions to the zone are covered under the FTZ operators Customs Bond. | Customs Bonds are required for all warehouse entries. |
| Permissible Cargo | Foreign and domestic goods may be placed in an FTZ providing more flexibility for the warehouse operator. | Only foreign goods may be placed in a bonded warehouse. |
| Payment of Duty | Duties are due only upon entry for US consumption. | Duties are due prior to release from bonded warehouses. |
| State & Local Inventory Tax | Foreign goods are not taxed as well as domestic goods that are to be exported are not taxed. | All goods are taxed. |
| Manufacture of Goods | Manufacturing is permitted within the FTZ. Duty is payable on either the imported components or the finished product, whichever has the lower rate. There is no duty on waste material or on value added manufacturing such as labor, overhead and profit. | Manufacturing is not permitted in a bonded warehouse. |
| Appraisal and Classification | The tariff rate and the value of goods may be determined either at the time of admission into a FTZ or when goods leave at the user's discretion. | Tariff rates and the value of goods is determined immediately upon entering a bonded warehouse. |
| Storage Period | Unlimited. | Not to exceed five years. |
| Permitted Activity | Goods may be sorted, destroyed, cleaned, graded, mixed with foreign or domestic goods, labeled, assembled, manufactured, exhibited, sold and repacked. | Goods may only be cleaned, repackaged, and sorted under customs supervision. Duty is owed on entire shipment entering a bonded warehouse including waste and damaged goods. |
| Domestic Goods | May be admitted without customs permit and co-mingled with foreign goods. | May not be admitted. |
| Control of Goods | FTZ has full control of goods 24 hours a day. | Customs has primary control of goods. The goods can only be inspected and transferred during regular working hours in a bonded warehouse. |
| Movement of Goods | Movement of goods is relatively unrestricted in and out of an FTZ. | Movement of goods is limited in a bonded warehouse. Specific customs approval is required for each movement. |



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