



Benefits of a Foreign Trade Zone in NYC

A step by step example of how a Swiss luxury watch importer benefits from **weekly customs entry** in an FTZ

*Note: This hypothetical example is for illustrative purposes only

The Swiss-ACME Luxury Watch Company imports customized product by air to JFK Airport. The company's primary business is Swiss-made watches with inset diamonds. These watches are distributed to boutiques in Manhattan and Brooklyn.

Annually, the luxury watch company imports 6,000 watches. The average wholesale value of each watch is \$6,000. The total wholesale value of the company's imports is \$36 million.



With or Without FTZ, Fixed Duty Payment

The United States Harmonized Tariff Schedule requires US Customs and Border Protection to collect payment of 3.1% on the value of high quality imported watches.

\$36 million
value of
watches

x

3.1% Duty
on each
watch

=

\$1.16
million in
Duty

The Cost of Customs Processing

- In addition to duty payment each time Customs processes and inspects imported goods the importer is charged a Customs **processing fee**.
- The fee for each inspection is **.3464%** of the shipment's value
- For a shipment valued at \$100, an importer must pay US Customs ¢35 in addition to the duty designated by the Harmonized Tariff Schedule.
- However, the **maximum processing fee payment is \$485** per inspection.

Luxury Watch Importing with No FTZ

A normal week of customs processing fees when the Swiss-ACME Luxury Watch Company is **not using an FTZ**. All shipments entered at JFK.

Monday:

22 watches x \$6,000 per watch x .003464 Customs fee rate =

Wednesday:

30 watches x \$6,000 per watch x .003464 Customs fee rate =

Thursday:

26 watches x \$6,000 per watch x .003464 Customs fee rate =

Friday:

31 watches x \$6,000 per watch x .003464 Customs fee rate =

Customs Fees Paid	
\$457	→ \$457
\$623*	→ \$485
\$540*	→ \$485
\$644*	→ \$485

Sum for an average week is = \$1,912

**Processing fee is greater than Maximum, therefore fee is reduced to maximum*

Luxury Watch Importing with No FTZ

\$1,912

For an Average week

x 52 weeks in a year =

Annual total Customs processing fees

\$99,424

Luxury Watch Importing with FTZ

By using an FTZ, the watch company can batch watches into one Customs entry for a week's worth of shipments.

	<u>22</u>	watches on Monday
	<u>30</u>	watches on Wednesday
	<u>26</u>	watches on Thursday
+	<u>31</u>	watches on Friday
<hr/>		
	= 109	Watches for the Week

Although the watches arrived in different shipments on different days, Customs treats the shipments as though they arrive simultaneously.

109 Watches x **\$6,000** value per watch x **.003464** Customs processing = \$2,265

Processing fee is greater than maximum, therefore fee is reduced to maximum

\$485

Luxury Watch Importing with vs. without FTZ

Using an FTZ:

$$\begin{array}{|c|} \hline \mathbf{\$485} \\ \hline \text{Customs processing} \\ \text{fees per week} \\ \hline \end{array} \times 52 \text{ weeks in a year} = \begin{array}{|c|} \hline \mathbf{\$25,220} \\ \hline \text{annually} \\ \hline \end{array}$$

This is regardless of the number shipments per day or per week.

Without an FTZ customs fees total $\mathbf{\$99,424}$
annually

This increases with the increased number of shipments

Using an FTZ, the Swiss-Acme Watch Company saves nearly $\mathbf{\$75,000}$ annually in customs fees, if not significantly more.

Monetary Benefit of FTZ:

This FTZ benefit can be used in combination with cash flow savings, delayed duty payments, and the possible benefits of inverted duty.