

Determining If Your Goods Qualify Under NAFTA Rules of Origin

Page 1 of 1

1. Was the good last processed in one of the NAFTA countries?

- If YES, go to Step 2, if NO, the goods do not qualify.

2. Do any of the materials or components used in the good originate from outside the NAFTA territories, or otherwise do not qualify as originating under NAFTA in their own right?

- If YES, go to Step 3*, if NO, the goods do not qualify.

3. Determine the HS tariff classification number to six digits as required.

4. Using the HS tariff classification number, identify the specific rule(s)** of origin in Annex 401 that applies to the goods.

5. Determine the HS tariff classification of the non-originating materials or components used in producing the goods in a NAFTA country/territory.

6. Does the change from the tariff classification of the non-originating materials to the tariff classification of the good meet the tariff change requirement in the specific rule(s)** as identified in Step 4?

- If YES, the tariff classification change requirement is met and, if there are no other requirements to be met in the rule (e.g., the content requirement), the good qualifies. If there are other requirements to be met, go on to them until all are met. If NO, the goods do not qualify, unless the goods fall under certain exemptions***.

7. Does the specific rule also contain regional value content?

- If YES, choose whether to use the Transaction Value method or the Net Cost method.
- **Note:** Be sure you can use the Transaction Value method before you select it. In particular, be sure that the price paid for the good will be acceptable under the principles of the customs valuation code. If there is any doubt, you should consult customs officials or use the Net Cost



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Page 2 of 2

method. Also note that only the Net Cost method can be used for certain types of goods.

8. Transaction Value Method:

Determine the actual price your customer paid you for the goods and the value of the non-originating materials used in producing it. Using the Transaction Value method, calculate the Regional Value Content (RVC) percentage. If the RVC percentage is equal to or greater than the minimum percentage set out in the specific rule for Transaction Value calculations (usually 60%), the good qualifies, providing all other conditions in the rule are met. If the percentage is less than the set minimum, you may try using the Net Cost method.

9. Net Cost Method:

Determine the net cost of the goods by deducting the specified ineligible costs from the total cost of the goods. Then determine the value of the non-originating materials and components. Using the Net Cost formula, calculate the RVC percentage. If the RVC percentage is equal to or greater than the minimum set out in the specific rule for Net Cost calculations (usually 50%), the good qualifies, providing all other conditions in the rule are met. If the percentage is less than the set minimum, the good does not qualify.

10. Complete a NAFTA Certificate of Origin if the Goods Qualify.

* If you do not know the origin of any material you must declare it does not originate in a NAFTA country.

** If two rules are applicable, the goods may qualify under either rule. You may find that qualifying under one rule is more convenient than the other, for example, one rule may require only a tariff classification change, whereas the other requires a tariff classification change and a value content calculation.

*** If the value of the non-originating materials that do not meet the tariff change requirement is not more than 7% of the value of the good, the de minimus rule exemption may apply and the good may qualify as originating, providing all other conditions are met.



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