USMCA CUSMA T-MEC

Presented by Frontier Supply Chain Solutions, Inc.

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USMCA CUSMA T-MEC

Topics of Discussion

- WHAT IS USMCA/CUSMA/T-MEC
- PROOF OF ORIGIN
- 9 MINIMUM DATA ELEMENTS
- LOW VALUE SHIPMENT
- TRADE FACILITATION
- DE MINIMIS THRESHOLD
- REGIONAL VALUE CONTENT
- TARIFF SHIFTS
- INTRO TO USING CARGOWISE & VISUAL IMPORTER

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WHAT IS USMCA/ CUSMA/ T-MEC?

Overview of the trade deal

A TRADE AGREEMENT THAT EXISTS AMONG THE U.S, MEXICO & CANADA

- Replaced NAFTA **as of July 1, 2020** and will undergo a joint review 6 years from the date
- Also referred to as CUSMA & T-MEC which are all terms that are used interchangeably

WHAT THE ACRONYMS STAND FOR:

- USMCA = *United States - Mexico - Canadian Agreement* and is the commonly used term in the USA
- CUSMA = *Canadian - United States - Mexico Agreement* and is the commonly used term in Canada
- T-MEC = *Tratado entre México, Estados Unidos y Canadá* and is the commonly used term in Mexico

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WHAT IS USMCA/ CUSMA/ T-MEC?

How It Relates to Customs Brokerage

HOW IT RELATES TO CUSTOMS BROKERAGE

- Trade laws directly influence how much a good will cost at importation
- Staying up-to-date with changing policies ensures:
  - Proper cross border certifications are held and are compliant
  - Proper charges & calculations are being made for importing goods
  - Unnecessary charges are avoided

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WHAT IS PROOF OF ORIGIN

- A legal document that declares **where** the product was produced
- States that the imported good meets a specific criteria to be considered an originating good
- Used to claim preferential tariff treatment

PROPER DOCUMENTATION

- Under USMCA, the CBSA **no longer requires** an official certificate of origin form to claim preferential tariff treatment.
- **9 minimum data** elements **are required** to indicate the good is an originating good
- Goods less than $3300 CAD don't require form

PREFERENTIAL TARIFF TREATMENT

For certain groups of goods that fulfill specific conditions , reduced tariff rates may apply

PROOF OF ORIGIN

Having Proper Documentation for Importing Goods

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CERTIFICATE OF ORIGIN (COO)

CERTIFICATE OF ORIGIN (COO)

- Is a document widely used for international importing
- May be completed by either the exporter, producer, or importer of the goods
- May be placed on an invoice or any other document
- May be completed/signed/submitted electronically
- Must be completed at the time of importation to qualify
- Proof of origin records must be kept for a period of 6 years from date of importation
- Must contain the 9 minimum data elements

Commonly Used Proof of Origin Form

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9 MINIMUM DATA ELEMENTS:

1 - CERTIFIER DETAILS
importer, exporter or producer
- including their identification & address

3 - IMPORTER DETAILS
including their identification & address

5 - DESCRIPTION OF GOODS
Importer, exporter or producer

7 - RULE OF ORIGIN OF CRITERION
Category under which the good qualifies

2 - EXPORTER DETAILS
includes their identification & address

4 - PRODUCER'S DETAILS
including their identification & address if different form certifier or exporter
- can state "various" if multiple

6 - H.S. TARIFF CLASSIFICATION
up to the 6-digit level

8 - BLANKETED PERIOD
Certification may cover multiple shipment of identical goods for up to 12 months

9 - AUTHORIZED SIGNATURE & DATE
Someone to assume responsibility that the document is true and accurate

9 MINIMUM DATA ELEMENTS

For the Certificate of Origin Form

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TRADE FACILITATION

Rules to Determine Qualification

TRADE FACILITATION

- Regulates and tracks the movement of goods between borders
- Ensures compliance between governing bodies and traders
- Helps reduce costs and increase efficency of trade among countries

SPECIFIC RULES OF ORIGIN TO DETERMINE HOW A GOOD QUALIFIES FOR USMCA/CUSMA/T-MEC

- Goods may originate in Canada, Mexico , or U.S even if they contain non-originating materials
- Are based on:
  - De Minimis threshold
  - Low-value shipment threshold(LVS)
  - Regional value content (RVC)
  - Change in tariff classification (tariff shifts)

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TRADE FACILITATION

Qualifiers to Determine if an Imported Good is Exempt from Duties & Taxes

DE MINIMIS THRESHOLD

- Sets the value of goods below a price at which no duties or taxes are charged at customs for an importing good

LOW-VALUE SHIPMENT THRESHOLD (LVS)

- Importing commercial goods must have an estimated value of less than $3300 CAD and must not be prohibited, controlled or regulated

REGIONAL VALUE CONTENT (RVC)

- A calculation method to determine whether a good qualifies for USMCA based on how much non-originating material it contains

TARIFF SHIFT

- A change in the H.S classification code for the **non-originating components** to the H.S code for the final product
- determine whether a good qualifies for USMCA

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DE MINIMIS

When Does a Good Qualify?

FOR GOODS IMPORTED INTO CANADA FROM THE U.S & MEXICO

- Are exempt from all duties and taxes when the value of duty:
  - Is below $40.00 CAD
- Are exempt from all duties but subject to taxes when the value of duty:
  - Is between $40.01 - $150.00 CAD
- Are subject to duties & taxes when the value of duty:
  - is above $150.01 CAD

FOR GOODS IMPORTED INTO CANADA FROM OTHER COUNTRIES

- Are exempt from all duties & taxes when the value of duty:
  - Is below $20.00 CAD
- Are subject to duties & taxes when the value of duty:
  - Is above $20.01 CAD

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LOW-VALUE SHIPMENT THRESHOLD

When Does a Good Qualify?

LOW-VALUE SHIPMENT THRESHOLD (LVS)

- Importing commercial goods must have an estimated value of less than $3300 CAD and must not be prohibited, controlled or regulated
- For shipments valued less than $3300 CAD, a Certificate of Origin is not required

REQUIREMENTS FOR THE IMPORTING GOOD THAT MEETS LVS

- Simplified report, release, accounting & documentation
- Goods will still need to be grown, produced, or manufactured in USMCA countries
  - And shipped directly from USMCA country
  - Or remained in customs control while in transit through a third country

APPLIED ACROSS ALL COMMERCIAL PROGRAMS

- Regardless of mode, stream of importation, or free trade agreement
- Importers are still required to provide proof of origin for product, if audited

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WHAT IS RVC:

- A method to determine whether a good qualifies for USMCA based on **how much non-originating material it contains**
- Expressed as a percentage
- **Transaction Value method** Usually requires that 60% of a product is of originating material
- The **Net Cost method** must have 50% originating material to qualify for USMCA preferential duty rates.

TWO EQUATIONS TO DETERMINE IF A GOOD QUALIFIES FOR USMCA UNDER RVC:
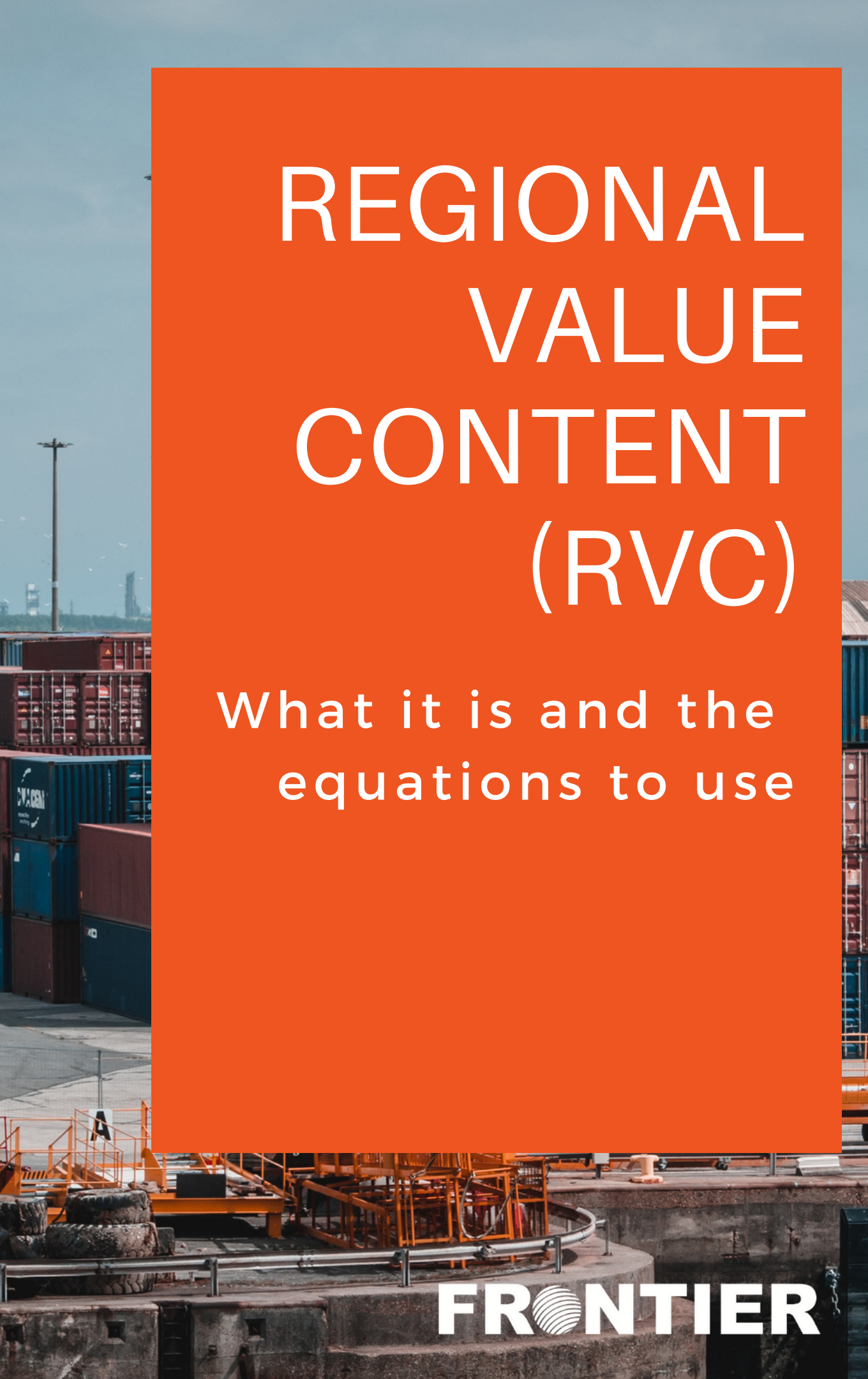
TRANSACTIONAL VALUE METHOD:

$$RVC = \frac{(\text{Transactional Value } - \text{ Value of non-originating materials})}{\text{Transactional Value}} \times 100$$

NET COST METHOD:

$$RVC = \frac{(\text{Net Cost } - \text{ Value of non-originating materials})}{\text{Net Cost}} \times 100$$

REGIONAL VALUE CONTENT (RVC)

What it is and the equations to use

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BILL OF MATERIAL (BOM):

- The procedure for determining the percentage involves obtaining a 'bill of material' (BOM) for the good being qualified. The BOM must not just **identify the various components** of the good but also the **value for each** of the components.

COUNTRY OF ORIGIN:

- The next step is to determine the '**country of origin**' of each component, ultimately isolating the '**non-originating**' materials.

WHAT TO DO WITH THE INFORMATION:

- Once the steps are completed, the values can be plugged into the equations. If the product has the required percentage for the method used, then the good meets the NAFTA requirement and duty is not applicable. If less than the percentage required, then duty must be paid and, likely, incorporated in the 'cost of goods sold.
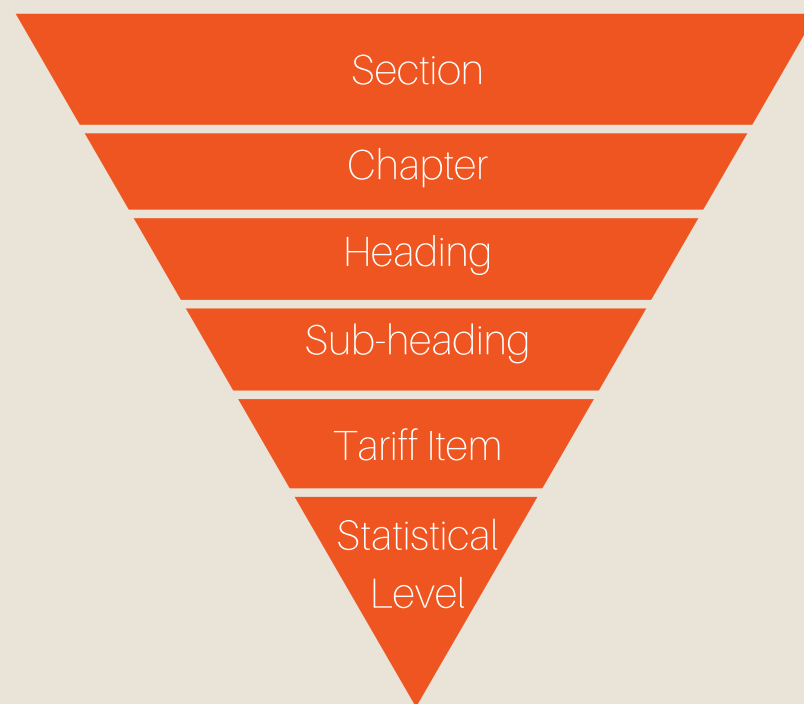
REGIONAL VALUE CONTENT (RVC)

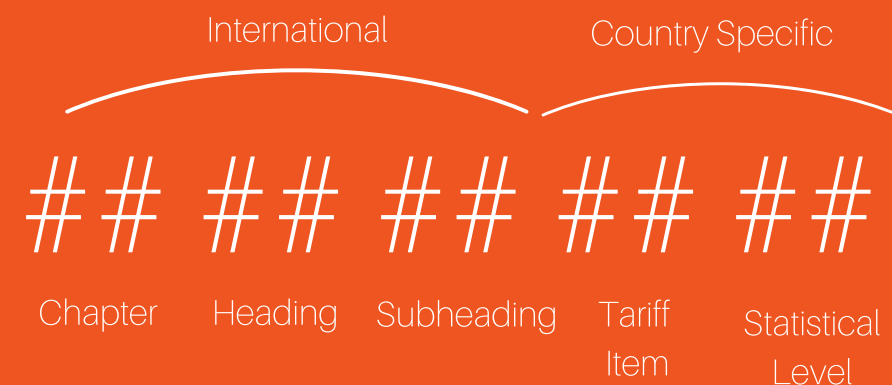Bill of Material & non-originating materials

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WHAT IS A TARIFF SHIFT?

- A way to qualify a product under "Rules of Origin" is by a tariff shift.
- This transformation **requires a change in the HS classification code** of the **non-originating components** to the HS code of the **final/finished product** (e.g., processing wood into furniture).
- consists of a change in the H.S code for the non-originating components to match the H.S code for the final product

STRUCTURE OF A TARIFF

Section

Chapter

Heading

Sub-heading

Tariff Item

Statistical Level

10 Digit Classification Code (H.S)

International   Country Specific

##

Chapter   Heading   Subheading   Tariff Item   Statistical Level

TARIFF SHIFT

When Does a Good Qualify?

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EXAMPLE OF WHEN A TARIFF SHIFT OCCURS:

PORK SAUSAGE:
produced in Canada
chapter 1601 (H.S code)

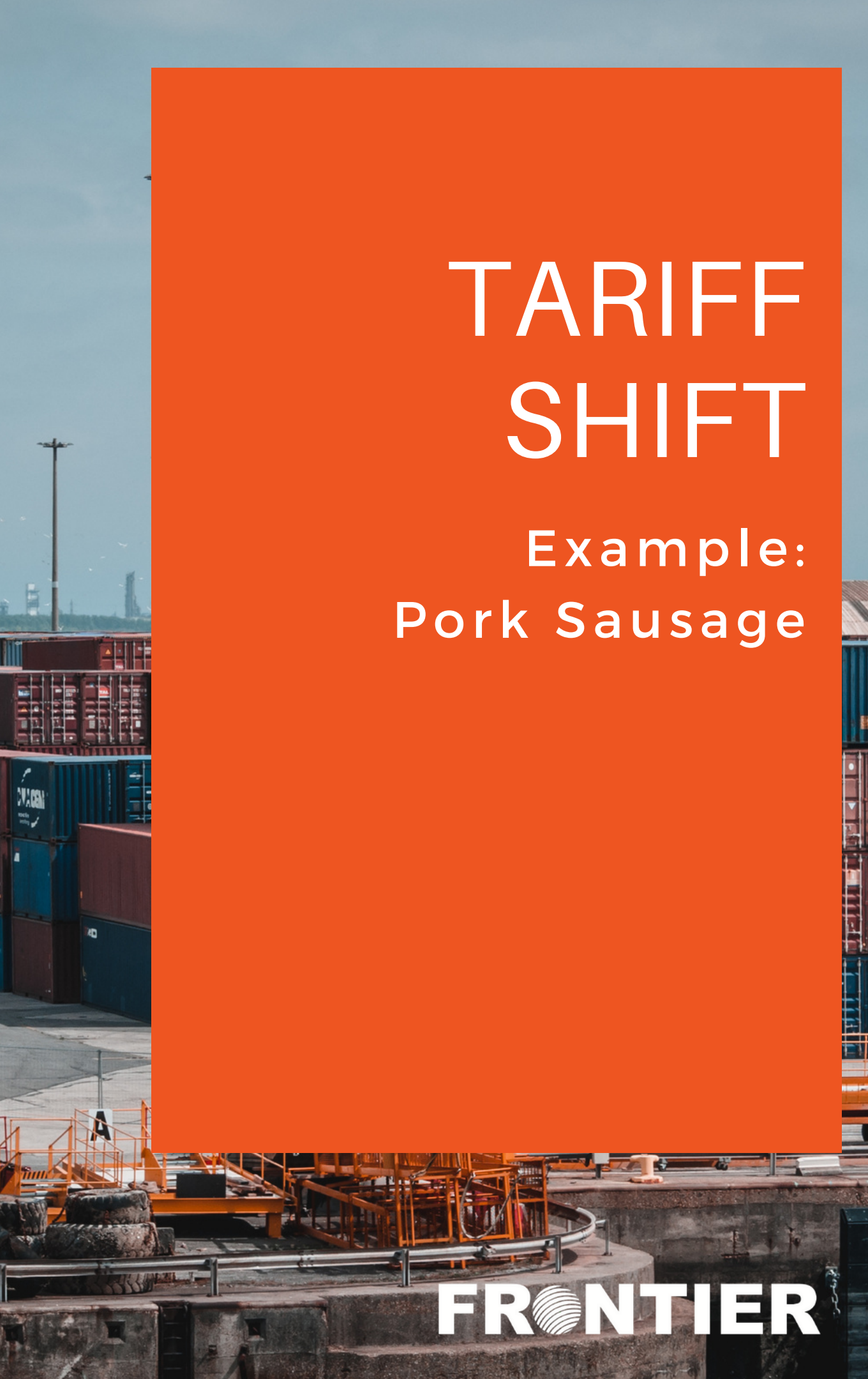| FROZEN PORK MEAT	SPICES
From England	From Jamaica
chapter 2 (H.S code)	chapter 9 (H.S code)

PORK SAUSAGE AND THE TARIFF SHIFT

- Because each ingredient in the pork sausage is classified in chapters **other than chpt 16**

TARIFF SHIFT

Example:
Pork Sausage

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HELPFUL EXTERNAL LINKS:

Frontier's Certificate of Origin form:

Go to Frontier SCS website - Forms Library : https://www.frontierscs.com/forms-library/

USMCA and likely impact on US Economy and Specific Industry Sectors:

https://www.usitc.gov/publications/332/pub4889.pdf

USMCA fact sheets can be found here:

https://www.cbp.gov/trade/priority-issues/trade-agreements/free-trade-agreements/USMCA

TERMS & DEFINITIONS

Some Common Terms for Reference

CBSA- CANADIAN BORDER SERVICES AGENCY
- Federal law enforcement responsible for border control in Canada

COO: CERTIFICATE OF ORIGIN FORM
- A form that is required to claim preferential treatment under USMCA

DE MINIMIS THRESHOLD
- Sets the value of goods below a price at which no duties or taxes are charged at customs for an importing good

DUTY
- A payment levied on the import, export, manufacture or sale of goods

LOW-VALUE SHIPMENT THRESHOLD (LVS)
- Importing commercial goods must have an estimated value of less than $3300 CAD and must not be prohibited, controlled or regulated

PREFERENTIAL TARIFF TREATMENT
- For certain groups of goods that fulfill specific conditions , reduced tariff rates may apply

REGIONAL VALUE CONTENT (RVC):
- A calculation method to determine whether a good qualifies for USMCA based on how much non-originating material it contains

TARIFF SHIFT
- A change in the H.S classification code for the **non-originating components** to the H.S code for the final product

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HOW FRONTIER USES THE INFO FROM USMCA

HOW IT RELATES TO CUSTOMS BROKERAGE

- Trade laws directly influence how much a good will cost at importation
- Staying up-to-date with changing policies ensures:
  - Proper cross border certifications are held and are compliant
  - Proper charges & calculations are being made for importing goods
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PROGRAMS WE USE

- The following slides will go over in broad detail what we do with the USMCA trade rules and important things to note while using these programs
  - Cargowise & Visual Importer (VI)

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USING CARGOWISE

Things to Note When Entering an Importing Good

SECURE A CERTIFICATE OF ORIGIN FORM

- Any format may be used as long as it satisfies the 9 data elements
- Must be valid at time of import (dated *before* importation occurs)

COMMERCIAL INVOICE NEEDS TO MATCH CERTIFICATION

- Does the HTS number listed appear on the USMCA certification
- The SPI should be programmed into into the product code for the item

UNDER THE INVOICE TAB

- Indicate 's' in the spi column
- For any good that qualifies for USMCA

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USING VISUAL IMPORTER (VI)

Classifying an Article with the H.S. code

STEPS TO FINDING THE RIGHT CLASSIFICATION, USING VI:

1. Open Visual importer (VI) to view your client's product
2. VI gives you a description of the product along with its corresponding H.S .Code.
3. Copy the first 4 digits of the H.S.Code, and search it in the "Custom Tariff by Chapter" PDF document.
4. When you find the product, look up the description from Visual Importer in Google and make sure it matches the description from the PDF.

ADDITIONAL NOTES:

- Clients are responsible for providing the USMCA certificate for the goods.
- The information is entered into VI as a single code (tariff treatment), at the line level of the entry, and can also be saved to the part number.
- Managers audit the entries before confirming to check for duty payouts and determine if USMCA is applicable. They will also request missing USMCA certificates from our clients as needed.

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USING VISUAL IMPORTER (VI)

Examples

EXAMPLE 1: USING A PART NUMBER MULTIPLE TIMES:

If we have a USMCA certificate on file for a particular part number, we would update the part number in our database with the applicable tariff treatment code. Whenever we use that part number in the future, it will automatically use USMCA.

EXAMPLE 2: USING A PART NUMBER ONE TIME:

If we want to use USMCA for a part number just one time, for an LVS good where we can use it without having to have a USMCA certificate on file. In this case we can change the tariff treatment code manually when we key the line, without updating the part number in the database, so it will only be used for this particular entry.

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