

## NAFTA Quick Reference Guide

by Michelle Kelley - Thursday, December 31, 2009

Here's a handy reference guide to help your company decide if claiming NAFTA is really worth it. See the end of this article for a printable version of our guide.

### Is NAFTA necessary?

Before going through the steps to determine NAFTA eligibility, it is essential to make sure that there is a benefit to the buyer.

**Step 1:** Determine the correct HTS code for your product (six digits only).

**Step 2:** Determine to which NAFTA countries your goods are shipped.

**Step 3:** Determine the duty rate that would apply in those countries without the NAFTA benefit.

**Step 4:** Estimate the volume of the product being shipped into the NAFTA countries.

**Step 5:** Compute the estimated annual duties for the product without NAFTA.

**Step 6:** Use other strategies where there are no/limited benefits under NAFTA:

*If there is no duty without NAFTA...don't issue a NAFTA certificate.*

*If there is low duty without NAFTA...don't issue a NAFTA certificate. Offer a discount to the buyer if necessary.*

*If there is substantial duty without NAFTA...analyze the total duty amount and decide if the cost of determining eligibility and the liability for NAFTA claims is worth it.*

### When NAFTA is necessary

NAFTA claims obligate your company to a substantial liability. Before you complete a NAFTA

certificate, make sure that you've complete the following steps.

1. Make sure the goods are not made outside of the NAFTA territories (US, Canada, Mexico).
2. Determine the correct Harmonized Tariff Code (HTS) for your product (at least six digits required).
3. Look at the inputs. Are they all originating?  
*If YES...stop and claim NAFTA.*  
*If NO....go to step 4.*
4. On your Bill of Materials (BOM) indicate the six digit HTS for each non-originating component.
5. Look up the rule of origin under NAFTA for the HTS found in step 2. Do your foreign components meet the tariff shift rule?  
*If YES...stop and claim NAFTA.*  
*If NO...go to step 6.*
6. Is there a Regional Value Content rule listed in the rules of origin for your product?  
*If YES...go to step 7.*  
*If NO...stop and don't claim NAFTA.*
7. In your BOM make sure there is a value shown for each non-originating component.
8. Calculate your RVC using either transaction value or net cost and determine if you can meet the RVC requirement under either calculation. Transaction value may not be allowed in all circumstances, such as when no sale is made or when there is a related party transaction.
9. If you can satisfy the RVC rule, then claim NAFTA. Otherwise don't claim NAFTA.

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