



What to Expect From a NAFTA Verification



La version française de ce document s'intitule *Vérifications faites dans le cadre de l'ALENA.*

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This publication has been provided in order to give the reader a better understanding of the verification process under the *North American Free Trade Agreement* (NAFTA).

Authority to conduct verifications

Article 506 of the NAFTA sets out the authority for each Party to the Agreement (Canada, Mexico and the United States) to conduct verifications of the books and records of exporters and/or producers located in the territory of another Party. The exporters and/or producers that may be subject to such a review are those whose goods have been certified as originating by means of a Certificate of Origin and for which preferential duty treatment has been claimed.

Objective of NAFTA verifications

The overall objective of an exporter or producer verification is to confirm that products covered by a Certificate of Origin completed by the exporter or producer qualify as originating in accordance with the NAFTA.

The NAFTA allows each Party's customs administration various methods for determining if a good certified as originating qualifies by meeting the NAFTA rules of origin requirements. Such methods may include written questionnaires to be completed by the exporter or producer, verification letters requesting information from the exporter or producer and visits to the exporter's or producer's premises. A verification could be conducted by any or all of these methods.

Verification program objectives

The verification program objectives are as follows:

Non-qualifying operations - To ensure that a good is not considered to be originating because of mere dilution with water or another substance or because of a production or pricing practice designed to circumvent the rules of origin as set out in Chapter 4 of the NAFTA.

Transshipment - To verify that an originating good (1) is not withdrawn from customs control outside the territory of the NAFTA countries, and (2) does not undergo further production or any other operation outside the territory of the Parties other than unloading, reloading, or any other operation necessary to preserve it in good condition, such as inspection, removal of dust that accumulates during shipment, ventilation, spreading out or drying, chilling, replacing salt, sulphur dioxide or other aqueous solutions, replacing damaged packing materials and containers and removal of the units of the good that are spoiled or damaged and present a danger to the remaining units of the good, or to transport the good to the territory of the importing Party.

Tariff classification change – To ensure that all non-originating materials used in the production of a good are sufficiently transformed in the NAFTA territory so as to undergo the necessary tariff classification change as required by the specific rule of origin applicable to a good, and to ensure that the finished good and the non-originating materials are properly classified.

Regional value content – To verify that the regional value content requirement, calculated using either the transaction value method or the net cost method, has been met.

Tariff Treatment – To verify that the rate of duty applied to importations of a good is correct.

Verification scope

The scope includes: a) the verification period, and b) the goods subject to verification.

- a) The verification period is established upon initiation of the verification. The exporter is responsible for keeping the records relating to the origin of goods for at least 5 years after the date the Certificate of Origin was signed.
- b) The scope of the verification will be those goods certified as originating by the exporter, for which NAFTA preferential tariff treatment was claimed upon importation into the territory of the Party.

Location

The location(s) of the verification(s) may include the site where the goods or materials were produced, the place where the records are stored, and/or the site from which the goods or materials were distributed.

Observers

The NAFTA stipulates that the exporter or producer who is subject to an origin on-site verification visit has the right to designate two observers to be present during the visit. The designation of observers is permitted provided that the observers do not participate in the verification other than as observers and that the failure of the exporter or producer to designate observers does not result in the postponement of the visit.

Determinations

The exporter and/or producer will be provided a written origin determination as to whether the good reviewed qualifies as originating based on the results of an origin verification, in accordance with Article 506(9) of the NAFTA. If it is determined that the good does not qualify as an originating good, the written determination will include a statement of the right of the exporter and/or producer to submit a response to the determination within a specific period of time before the determination will take effect.

Confidentiality of business information

The Canada Border Services Agency (CBSA) shall, in accordance with Article 507 of the NAFTA and section 107 of the *Customs Act*, protect the confidentiality of all business information submitted and shall not, with the exception of the Bureau of Customs and Border Protection (CBP) of the United States, disclose such information to a third party without prior approval from your company. Pursuant to the *Memorandum of Understanding Regarding the Exchange of NAFTA-Related Information*, the CBSA will share the results of the verifications with the CBP.

Additional assistance

This publication is for informational purposes only. Further details may be requested from:

Canada

Canada Border Services Agency
Origin Planning and Coordination Unit
Ottawa ON K1A 0L8

Telephone: 613-954-5643

Facsimile: 613-954-5500

Mexico

Central Administration of International Fiscal Audit
Administración central de auditoría fiscal internacional
Av. Paseo de La Reforma No. 37 Modulo 6
Piso 1, Colonia Guerrero
Delegación Cuauhtémoc
México, D.F. 06030

Telephone: 011-525-91-57-27-28

Facsimile: 011-525-91-57-27-49

United States

For audits:

Bureau of Customs and Border Protection
Regulatory Audit Division
Room 6.4 B
1300 Pennsylvania Avenue NW
Washington, D.C. 20229

Telephone: 202-927-1100

Facsimile: 202-927-1452

For all other verifications:

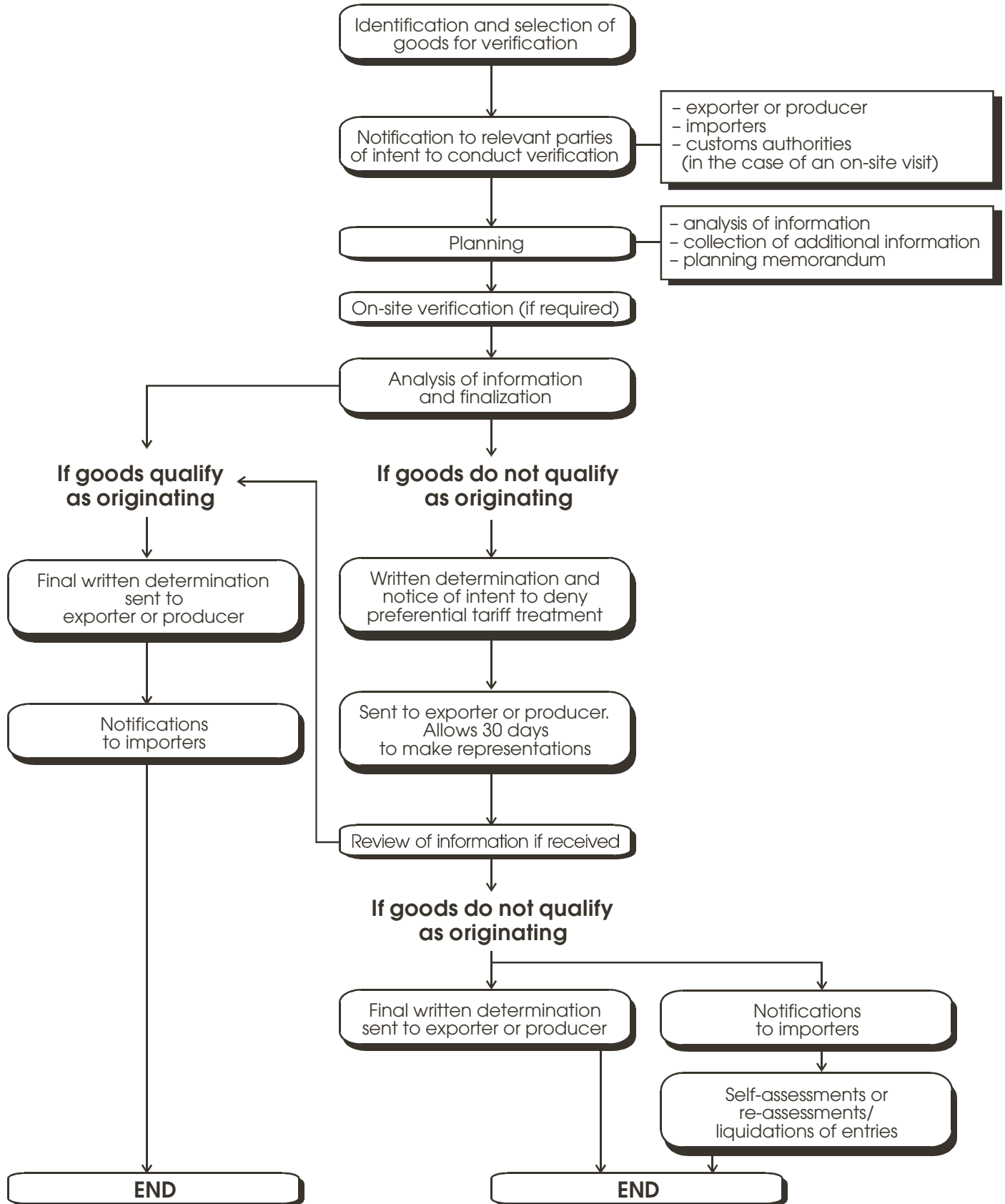
Bureau of Customs and Border Protection
Office of Field Operations
Trade Agreements Division
Room 5.2 B
1300 Pennsylvania Avenue NW
Washington, D.C. 20229

Telephone: 202-927-3271 or 927-1131

Facsimile: 202-927-0708

Verification process

The verification (audit) process can be highlighted as follows:



Note: The exporter and producer who signed a Certificate of Origin, as well as the importer have a right of appeal.