



Ottawa, February 17, 2005

MEMORANDUM D11-4-3

In Brief

RULES OF ORIGIN RESPECTING THE MOST-FAVOURED-NATION TARIFF

The revision of this Memorandum is part of an overall revision of the Memoranda D11-4 series. Changes have been made to the "Guidelines and General Information" section to clarify policy or procedural issues that have arisen since the last revision to this Memorandum.



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RULES OF ORIGIN RESPECTING THE MOST-FAVOURED-NATION TARIFF

This Memorandum contains the *Most-Favoured-Nation Tariff Rules of Origin Regulations*. The Memorandum also contains guidelines regarding the proof of origin and shipping requirements for the Most Favoured Nation (MFN) tariff treatment.

Regulations

Most-Favoured-Nation Tariff Rules of Origin Regulations

Origin of Goods

1. Goods originate in a country that is a beneficiary of the Most-Favoured-Nation Tariff if:

(a) not less than 50 per cent of the cost of production of the goods is incurred by the industry of one or more countries that are beneficiaries of the Most-Favoured-Nation Tariff, or by the industry of Canada; and

(b) the goods were finished in a country that is a beneficiary of the Most-Favoured-Nation Tariff in the form in which they are imported into Canada.

2. In calculating the cost of production for the purposes of paragraph 1(a), the following shall not be included:

(a) the cost of outside packing and expenses related to outside packing, required for the transportation of the goods, not including packing in which the goods are ordinarily sold for consumption;

(b) gross profit of the manufacturer or exporter and the profit or remuneration of any trader, broker or other person dealing in the goods in their finished manufactured condition;

(c) royalties;

(d) customs or excise duty or tax paid or payable on imported materials;

(e) carriage, insurance and other charges from the place of production or manufacture in the country of origin to the port of shipment; and

(f) any other costs or charges incurred or to be incurred subsequent to the completion of the manufacture of the goods.

Direct Shipment

3. Goods are entitled to the Most-Favoured-Nation Tariff only if the goods are shipped directly to Canada, with or without transshipment, from a country that is a beneficiary of the Most-Favoured-Nation Tariff.

GUIDELINES AND GENERAL INFORMATION

General

1. MFN beneficiary countries are set out in the List of Countries of the *Customs Tariff*.

2. Goods that originate in countries not set out in the List of Countries of the *Customs Tariff* and goods that do not satisfy the MFN rules of origin are subject to the General Tariff rate of customs duty. Goods originating in North Korea and Libya are not entitled to the MFN tariff rates.

Rules of Origin

3. To qualify for the MFN tariff treatment, at least 50% of the cost of production of the goods must be incurred in one or more MFN beneficiary countries or Canada. Canadian content may be included as MFN originating in the calculation of the 50% requirement.

4. Cost of production may include:

(a) materials (exclusive of duties and taxes);

(b) labour; and

(c) factory overhead.

5. The goods must be finished in a MFN beneficiary country in the form in which they were imported into Canada.

Proof of Origin

6. Proof of origin for MFN tariff treatment must be presented in the form of:

(a) a commercial invoice or Form CII, *Canada Customs Invoice*, (see Appendix) prepared by the vendor indicating the country of origin of the goods, or

(b) any other documentation indicating the country of origin of the goods, as outlined in Memorandum D11-4-2, *Proof of Origin*.

7. Proof of origin must be presented at the times set out in Section 13 of the *Proof of Origin of Imported Goods Regulations* as found in D11-4-2.

Shipping Requirements

8. The goods must be shipped directly from a MFN beneficiary country to a consignee in Canada on a through bill of lading (TBL).

9. Transshipment through any intermediate country is allowed provided:

- (a) the goods remain under customs transit control in the intermediate country;
- (b) the goods do not undergo any operation in the intermediate country other than unloading, reloading, splitting up of loads, or operations required to keep the goods in good condition;

(c) the goods do not enter into trade or consumption in the intermediate country; and

(d) the goods do not remain in temporary storage in the intermediate country for a period exceeding six months.

Additional Information

10. For further information or assistance, please contact:

Origin and Valuation Division
Policy and Operational Development Directorate
Admissibility Branch
Canada Border Services Agency
Ottawa ON K1A 0L8

Facsimile: (613) 954-5500

APPENDIX

Canada Customs and Revenue Agency		Agence des douanes et du revenu du Canada		CANADA CUSTOMS INVOICE		FACTURE DES DOUANES CANADIENNES		Page	of
								de	
1. Vendor (name and address) - Vendeur (nom et adresse)				2. Date of direct shipment to Canada - Date d'expédition directe vers le Canada					
				3. Other references (include purchaser's order No.) Autres références (inclure le n° de commande de l'acheteur)					
4. Consignee (name and address) - Destinataire (nom et adresse)				5. Purchaser's name and address (if other than consignee) Nom et adresse de l'acheteur (s'il diffère du destinataire)					
				6. Country of transshipment - Pays de transbordement					
				7. Country of origin of goods Pays d'origine des marchandises		IF SHIPMENT INCLUDES GOODS OF DIFFERENT ORIGINS ENTER ORIGINS AGAINST ITEMS IN 12. SIL'EXPÉDITION COMPREND DES MARCHANDISES D'ORIGINES DIFFÉRENTES, PRÉCISEZ LEUR PROVENANCE EN 12.			
8. Transportation: Give mode and place of direct shipment to Canada Transport : Précisez mode et point d'expédition directe vers le Canada				9. Conditions of sale and terms of payment (i.e. sale, consignment shipment, leased goods, etc.) Conditions de vente et modalités de paiement (p. ex. vente, expédition en consignation, location de marchandises, etc.)					
				10. Currency of settlement - Devises du paiement					
11. Number of packages Nombre de colis	12. Specification of commodities (kind of packages, marks and numbers, general description and characteristics, i.e., grade, quality) Designation des articles (nature des colis, marques et numéros, description générale et caractéristiques, p. ex. classe, qualité)			13. Quantity (state unit) Quantité (précisez l'unité)		Selling price - Prix de vente			
						14. Unit price Prix unitaire		15. Total	
18. If any of fields 1 to 17 are included on an attached commercial invoice, check this box Si tout renseignement relativement aux zones 1 à 17 figure sur une ou des factures commerciales ci-attachées, cochez cette case Commercial Invoice No. / N° de la facture commerciale _____				<input type="checkbox"/>		16. Total weight - Poids total		17. Invoice total Total de la facture	
				Net		Gross - Brut			
19. Exporter's name and address (if other than vendor) Nom et adresse de l'exportateur (s'il diffère du vendeur)				20. Originator (name and address) - Expéditeur d'origine (nom et adresse)					
21. CCRA ruling (if applicable) - Décision de l'Agence (s'il y a lieu)				22. If fields 23 to 25 are not applicable, check this box Si les zones 23 à 25 sont sans objet, cochez cette case <input type="checkbox"/>					
23. If included in field 17 indicate amount: Si compris dans le total à la zone 17, précisez :		24. If not included in field 17 indicate amount: Si non compris dans le total à la zone 17, précisez :		25. Check (if applicable): Cochez (s'il y a lieu) :					
(i) Transportation charges, expenses and insurance from the place of direct shipment to Canada Les frais de transport, dépenses et assurances à partir du point d'expédition directe vers le Canada		(i) Transportation charges, expenses and insurance to the place of direct shipment to Canada Les frais de transport, dépenses et assurances jusqu'au point d'expédition directe vers le Canada		(i) Royalty payments or subsequent proceeds are paid or payable by the purchaser Des redevances ou produits ont été ou seront versés par l'acheteur <input type="checkbox"/>					
(ii) Costs for construction, erection and assembly incurred after importation into Canada. Les coûts de construction, d'érection et d'assemblage après importation au Canada		(ii) Amounts for commissions other than buying commissions Les commissions autres que celles versées pour l'achat		(ii) The purchaser has supplied goods or services for use in the production of these goods L'acheteur a fourni des marchandises ou des services pour la production de ces marchandises <input type="checkbox"/>					
(iii) Export packing Le coût de l'emballage d'exportation		(iii) Export packing Le coût de l'emballage d'exportation							
Dans ce formulaire, toutes les expressions désignant des personnes visent à la fois les hommes et les femmes.									

REFERENCES

<p>ISSUING OFFICE –</p> <p>Origin and Valuation Division Policy and Operational Development Directorate Admissibility Branch</p>	<p>HEADQUARTERS FILE –</p> <p>4570-3, 4570-10</p>
<p>LEGISLATIVE REFERENCES –</p> <p><i>Customs Tariff</i> P.C. 1997-2004 P.C. 2001-374</p>	<p>OTHER REFERENCES –</p> <p>D11-4-2</p>
<p>SUPERSEDED MEMORANDA “D” –</p> <p>D11-4-3, May 11, 2001</p>	

Services provided by the Canada Border Services Agency are available in both official languages.

