

Exporting Apparel to the USA



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Exporting Apparel to the United States

A Guide to US Customs Requirements & Procedures For Canadian Wearing Apparel Manufacturers

Presented by



**Apparel Human Resources Council
Conseil des ressources humaines
de l'industrie du vêtement**

The Apparel Human Resources Council

- and -



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The Apparel Human Resources Council



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Conseil des ressources humaines
de l'industrie du vêtement

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A Few Words of Introduction

Every Canadian apparel manufacturer eventually comes to the realization that he will never grow his business to its full potential if he does not reach out beyond the Canadian market. And for most such companies, this means turning south to the United States.

We share a common border, common values and common business practices with the United States. Regional differences within our countries frequently exceed the differences between them. It all looks so simple ... until the goods arrive at Customs.

And that's where this guide comes in. Specifically designed to facilitate the border experience, it will provide you with a better understanding of what you can expect from US Customs – and what US Customs expects from you.

The importation of goods into the United States can be very complex, and the compliance standards maintained by the US Customs and Border Protection agency are very high. No guide or manual could possibly address every situation a company may encounter in its dealings with US Customs. As US Customs and Border Protection itself so aptly puts it in the introduction to each and every one of its own compliance manuals:

"The information provided in this publication is for general information purposes only. Recognizing that many complicated factors may be involved in customs issues, an importer may wish to obtain a ruling ... or obtain advice from an expert (such as a licensed Customs Broker, attorney or consultant) who specializes in Customs matters. Reliance solely on the general information in this pamphlet may not be considered [the exercise of] reasonable care."

The purpose of this guide is to help you develop a positive and productive relationship with US Customs and your professional Customs service providers.

Milgram and Company Ltd. would like to take this opportunity to express its appreciation to the Apparel Human Resources Council for its support and contribution in the preparation of this Guide. On behalf of both the Council and Milgram, we sincerely hope that this Guide serves to promote the sale and distribution of Canadian-made wearing apparel in the United States.



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I. United States Import Entry Procedures – A General Introduction to Shipping and Importing Wearing Apparel into the US

US Customs and Border Protection (referred to in this guide as “US Customs”) controls the importation of all goods entered into the United States. The “importer of record” is the company or individual in whose name the goods are imported into the United States.

The purpose of this section is to introduce you to the procedures and documents you will have to be familiar with to “make entry” into the United States. Because this guide has been specifically designed for Canadian apparel manufacturers, the procedures described below generally relate to courier and truck shipments.

A. The Importer of Record

The “importer of record” is the company or individual who imports the goods into the US, and in whose name the US Customs entry is made. As a general rule the importer of record may be the vendor, purchaser or another person who has a financial interest in the goods.

The importer of record is responsible for filing the entry documents with US Customs at the port of entry. He is also responsible for filing any other documents relating to the shipment requested by US Customs at a later date.

Due to the complexity of these procedures, the preparation and filing of the Customs entry is almost always handled by a licensed Customs Broker on the importer of record’s behalf. Nevertheless, it is important to understand that the importer of record remains directly responsible to US Customs for the work performed on his behalf by the Broker.



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B. Informed Compliance, Shared Responsibility and Reasonable Care

In 1993, US Customs and Border Protection introduced a new regulatory compliance policy under the banners “informed compliance” and “shared responsibility.” Under this policy, US Customs has undertaken to provide the trade community with improved communications and information concerning the trade community’s rights and responsibilities under Customs laws and regulations. Importers, for their part, must inform themselves about these rules and responsibilities and exercise “reasonable care” to comply with them.¹

If the importer is in doubt about any US Customs rule or regulation, he can apply for a binding ruling. Advance rulings may be provided by US Customs on a variety of issues, including tariff classification, valuation, country of origin, marking and labelling and other areas of concern. US Customs also publishes informed compliance manuals on various topics such as Customs valuation, tariff classification and textile labelling.² These informed compliance publications are well reasoned, well written, and an invaluable tool for any company who deals with US Customs.

US regulatory compliance standards are high—and the penalties for failing to exercise “reasonable care” through negligence, gross negligence or fraud can be very severe. While these informed compliance publications and the published rulings issued by US Customs can be very helpful, reliance on these resources alone does not constitute “reasonable care.” In the words of US Customs *“because many complicated factors can be involved in customs issues, an importer may wish to obtain a ruling [or] advice from an expert who specializes in customs matters, for example, a licensed customs broker, attorney or consultant.”*³

¹ The concept of “reasonable care” and a “reasonable care” checklist can be found in US Customs publication “Importing into the United States” A Guide for Commercial importers available on US Customs web site at <http://www.customs.gov/xp/cgov/toolbox/publications/>

² These publications can be found US Customs’ web site at:
http://www.customs.ustras.gov/xp/cgov/toolbox/legal/informed_compliance_pubs/

³ Michael T. Schmitz, Assistance Commissioner, Office of Regulations and Rulings, quoted from the preface to the “Customs Valuation Encyclopedia.”



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C. Understanding your Responsibilities under the Contract of Sale

Your first concern as an exporter of wearing apparel to the United States is to determine whether your company is responsible for arranging the transportation and US Customs clearance. These responsibilities are dictated by the terms of sale in your customer's purchase order and your sales agreement.

(a) If you sell on a "delivered" basis

If your terms of sale are "landed duty paid," "delivered duty paid," "free domicile," "FOB Destination⁴" or words to this effect, your company is going to have to make all of the arrangements necessary to land and deliver the goods to the consignee in the United States. These are the terms of sale most Canadian apparel exporters can expect from their American customers.

To meet your obligations, you are going to have to prepare the goods for export in compliance with US marking and labeling requirements; prepare or obtain any documents required by US Customs; hire a carrier or transportation broker to arrange delivery; arrange insurance if necessary; and last but not least, retain a US Customs Broker to clear your goods into the United States.

If you are responsible for the Customs clearance, choose a Customs Broker who specializes in textile and apparel products and is sensitive to the needs of the industry. Your Broker should be licensed to operate at the port of entry where your goods will cross and have experience handling "non-resident importers" like yourself. If you are unsure about your choice, ask for references. Remember that everything your Broker does will be done in *your* name.

⁴ FOB Destination is an incorrect use of the term "FOB." Nevertheless, it is sometimes used in place of "DDP" or "delivered duty paid" in American contracts of sale.



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The Broker you choose will ask you to sign a “Power of Attorney” authorizing him to make entry into the US in your name. Your Broker will also help you obtain an importer ID number and a continuous bond for US Customs. The bond serves as a guarantee of payment for any amounts you will owe US Customs.⁵

If you are selling on a “delivered” basis, your responsibility does not end until the goods are delivered to the consignee. Freight carriers usually limit their liability for loss or damage to a few dollars per carton or pound – well below the actual value of the merchandise. Because of this, if the goods are lost or damaged in transit, the carrier’s compensation will not cover the entire loss. To protect yourself, you may have to arrange for separate cargo insurance. Speak to the carrier or your insurance agent about this before you ship.⁶

If you are acting as importer of record, your responsibilities to US Customs include retaining a complete set of Customs records and making them available to US Customs upon demand; responding to requests for additional information from US Customs; complying with any orders issued by US Customs concerning the imported goods and accounting to US Customs for any monies owing, including examination charges, duties, penalties and liquidated damages.⁷

(b) If you are not involved in the clearance and delivery of the goods

If you are not involved in the Customs clearance or delivery of the goods, you must still prepare the goods for export in accordance with US marking and labeling rules and prepare or obtain the documents required to make entry into the United States. These documents should be sent to your customer or given to the carrier. If US Customs requests additional information about the goods after they have cleared, you will have to provide it to your customer.

⁵ Some Brokers allow the importer use the Broker’s bond for a fee. It is generally more cost efficient for the importer to obtain and post his own bond with US Customs.

⁶ The Canadian Trade Commission Service provides an overview of shipping insurance on its web site at: <http://www.infoexport.gc.ca/shipping/insureship-e.htm>

⁷ These issues are all covered elsewhere in this guide.



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D. Before you Ship: Product Compliance & Customs Documentation

(a) Product compliance – a partial checklist

- Before you ship you must ensure that your goods comply for entry and distribution in the United States.
- The goods must be marked or labeled with the country of origin, fibre content, care instructions and any other information prescribed by law or regulation.⁸
- The goods must also comply with any applicable consumer safety standards.
- Your goods may not contain any disqualifying or controlled materials such as fur⁹ unless you have a permit or license authorizing their importation. The acquisition of the permit must be arranged before you ship. To avoid delays at the border, make sure to discuss this with your Customs Broker ahead of time.
- Your goods may not contravene any US patent or trademark law. While it is unlikely you that would knowingly trade in counterfeit goods, you must still take care to ensure any trademarked zippers or other components are genuine.
- *Wood packaging materials* – Both Canada and the United States regulate the importation of wood packaging materials including wooden pallets. This is done to prevent the introduction of destructive insect pests. As a general rule, wood packaging materials must be treated and marked in accordance with internationally acceptable standards.

⁸ Marking and labeling are discussed in a separate section of this guide.

⁹ The importation of dog and cat fur is strictly prohibited. Any attempt to do so will result in a severe penalty. For additional information visit this web site:

http://www.cbp.gov/xp/cgov/import/commercial_enforcement/dog_cat_protection.xml



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Notwithstanding the above, wood packaging materials made *entirely* from Canadian or US origin wood are exempt from treatment and marking in trade between the two countries. For the purposes of enforcing this exemption, US Customs considers the country of origin of the merchandise accompanying the packaging to be the country of origin of the wood packaging materials for all shipments coming from Canada, unless there is an indication to the contrary.

If the goods are made in Canada and imported from Canada, the wood packaging materials used to ship them to the US do not have to be marked or treated. However, if merchandise arriving from Canada originates in another country, the wood packaging materials will also be considered to originate in that other country and therefore subject to treatment and marking, unless there is documentary evidence available, like a statement on the invoice, indicating that the wood packaging materials are Canadian.

(b) US import entry documents

This section outlines the documents you will need to prepare for US Customs. If you need help, ask your Broker. Problems with documentation are the principal cause of delays in the clearance.

(i) The commercial or pro-forma invoice

A *commercial invoice* or a *pro-forma invoice* that provides all of the information required by US Customs to make a decision concerning the admissibility of the goods. A sample pro-forma invoice can be found in the Appendix at the end of this guide.¹⁰ Please pay particular attention to the following data fields on Milgram's pro-forma invoice:

Exporter — If you are the exporter, you must indicate your Canada Revenue Agency business number or GST number in this field.

¹⁰ An interactive pro-forma invoice is available in the US Forms Library on Milgram's web site http://www.milgram.com/milgram/en/tools/forms_library?id=2



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Ultimate consignee – You must provide US Customs with the US Tax Identification number of the “ultimate consignee.” This is the American company or individual to whom the goods are delivered. However, if the goods are sold to one party but delivered to another, you must provide the Tax ID number of the purchaser. For consolidated shipments, you must provide the Tax ID number of each and every consignee. Make sure you have the Tax ID number before you ship. If you are shipping to an individual, you must provide the person’s Social Security number. You cannot ship without it.

Terms (of sale) – If you are responsible for the transportation and Customs clearance into the US, mark “Delivered Duty Paid” or “DDP.”

Currency – Make sure to indicate the currency of settlement. The Broker cannot automatically assume that you are selling in US dollars.

Parties to this transaction are – You must advise US Customs if you are related to your American customer (*ie.* not dealing at arms length).¹¹

Description of goods – Provide a complete and accurate description of every article in the shipment including samples, free of charge goods, advertising inserts, etc. A complete description of a garment includes its gender, fibre content, fabric construction and any other characteristics that will help your Broker and US Customs classify the goods and determine their admissibility.¹²

Country of growth or manufacture – The country of origin of each article in the shipment must be determined. The rules for determining the country of origin can be found in the section of this guide that deals with marking, labeling and country of origin.

¹¹ Related party transactions are discussed in the “Valuation” section of this guide and in greater detail in the US Customs Valuation Encyclopedia.

¹² Shipments of footwear should be accompanied by an “Invoice details for Footwear” form. This form is available on Milgram’s web site
http://www.milgram.com/milgram/en/tools/forms_library?id=2



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HS Number — All goods must be classified for Customs purposes. Your Broker will classify the goods for you based on the information you provide him.

Quantity — The accuracy of this data field cannot be over-emphasized. US Customs makes no allowance for minor discrepancies.

Total price, etc. — Mark the unit price and total price you are charging your customer. Check the appropriate box on the pro-forma invoice to indicate whether the duty (if any), Brokerage charges and freight charges are included in your selling price. Any adjustments that are not reflected in the unit price, such as material assists or discounts, should be clearly stated in the body of the invoice so the Broker can adjust the declared value if necessary.¹³

Manufacturer's identification code (MID) — This is new requirement. There is no field for the MID on the pro-forma invoice as of yet. Nevertheless, the importer of record must identify the *manufacturer* whose processes confer country of origin on the article.¹⁴ When a single Customs entry is filed for products produced by more than one manufacturer, the products of each manufacturer must be separately identified. Trading companies, agents and vendors other than manufacturers cannot be used to create an MID for textile or apparel articles. Instructions from US Customs regarding the construction of the MID can be found on the internet¹⁵ or obtained from your Customs Broker.

¹³ These are discussed in the "Valuation" section of this guide.

¹⁴ The operations that confer origin differ depending on the rule of origin for the particular article. In most cases origin is conferred by the assembly of the article, but in some cases another rule apply. For example, origin is conferred on knit-to-shape garments by the knitter. These rules are covered in the section of this guide that deals with marking, labeling and country of origin.

¹⁵

<http://72.14.207.104/search?q=cache:0jXJEIK0ICAJ:www.cbp.gov/linkhandler/cgov/toolbox/legal/directives/3550-055.ctt/3550-055.doc+3550-055&hl=en>



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(ii) The NAFTA certificate of origin

A **NAFTA Certificate of Origin** should be prepared for goods that qualify as “originating” goods under the NAFTA rules of origin. A blank NAFTA certificate of origin with instructions can be found on Milgram’s web site.¹⁶ A copy is also included in the Appendix at the end of this guide.

It is important to accurately complete every data field on the certificate. The following comments should be read in conjunction with the general instructions:

Blanket period — A blanket certificate may be prepared if you export the exact same goods produced from the exact same materials during the blanket period covered by the certificate. The blanket period may not exceed 12 months. A blanket certificate relieves you of the need to prepare a new certificate for each shipment. If your production practices or material inputs are not consistent, do not prepare a blanket certificate. Prepare a separate certificate for each shipment.

The descriptions on your NAFTA certificate of origin should closely mirror those on your commercial or pro-forma invoice. Style or article numbers should be used as well as detailed descriptions to help relate the certificate to the goods in the shipment. Simple descriptions like “women’s dresses” are not acceptable.

The preference criterion code tells Customs how your goods qualify for NAFTA. The rules of origin are explained later in this guide. We caution against using origin criterion “A” which designates a good that contains absolutely no non-NAFTA material inputs, unless you are absolutely certain this is true.

The net cost field does not apply to wearing apparel. Mark “NO” to signify that the field is not applicable.

Only NAFTA originating goods may be listed on the certificate. Do not include any goods that originate in another country or do not qualify for NAFTA.

Remember to sign your certificate. If it is not signed and dated, it is not valid.

¹⁶ http://www.milgram.com/milgram/en/tools/forms_library?id=2



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(iii) Other documents

- A copy of the *Bill of Lading* issued by the carrier when he picked up your goods.
- A *TPL Certificate of Eligibility* is required to import goods into the US under TPL. The application procedure is explained in the section of this guide on the Tariff Preference Level program. The TPL Certificate of Eligibility may be sent to the Broker after the goods have cleared Customs, as it is not required to make entry. The Broker will not need it until he files the entry summary within 10 days of clearance.
- A **Textile Declaration**, document or statement advising the Broker where the yarn, fabric and garment originate. Textile Declarations are no longer required by US Customs, but the information it provides is still required by the Broker to determine whether your goods qualify for NAFTA or TPL.
- A *Fish and Wildlife Permit* issued by the US Fish and Wildlife Service is required to import articles that contain **fur** or any other controlled plant or animal product including products that are subject to CITES (the Convention on International Trade in Endangered Species of Wild Flora and Fauna).

If there is any fur on the garment, you must first apply to the US Fish and Wildlife Service for an annual license on form 3-200-2. Allow at least 3 months for this permit to be issued.

Once you receive the annual license, you will still have to apply for a shipment-specific FWS import permit on form 3-177 prior to exporting a garment that contains fur. Allow at least 48 hours for the Fish and Wildlife Service to process your shipment application.¹⁷

¹⁷ These forms and other important information about importing furs and endangered or controlled plant and animal products can be found on the Fish and Wildlife Services web site at <http://www.fws.gov/>



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(c) Prior Notice (PAPS)

When your goods and documents are ready, contact the carrier to arrange a pick-up. Make sure to let the carrier know the name of the US Customs Broker. The carrier will fax the documents to your Broker to arrange clearance.

When the Broker receives the documents he will carefully review them. If they are complete and accurate, the Broker will classify the goods, prepare a Pre-Arrival Processing System (PAPS) request for release and transmit the information to US Customs. Otherwise, the Broker will notify you or the carrier in order to correct the documents. This procedure can take several hours depending on the number of items on your commercial or pro-forma invoice.

US Customs may accept or reject the PAPS transmission. If everything is in order the PAPS will be accepted and the driver may proceed to the border. The driver may not arrive at US Customs until at least one hour after the PAPS was accepted. If the carrier arrives before this time, he will receive a penalty.

E. At the Border: Examination, Detention & Release

When the carrier arrives at the border he will present his manifest and your documents to US Customs. The Customs officer will either release the shipment or hold it for examination. If the cargo has to be off-loaded, the examination will be conducted at a private warehouse at the importer's expense.

Supply chain security programs – Canada and the US have implemented a number of programs designed to promote security in the supply chain in international trade. These programs include Free And Secure Trade “FAST;” Partners In Protection “PIP;” and Customs-Trade Partnership Against Terrorism “C-TPAT,” an American initiative designed to help businesses work with US Customs to secure their supply chain. These initiatives are still in their early stages and participation is not yet mandatory. Nevertheless, you should speak with your Customs Broker in order to familiarize yourself with these programs. Participation may become mandatory in the future.



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F. After your Goods have Cleared Customs

(a) Entry summary

After the goods have cleared Customs, the Broker has 10 days within which to file an entry summary (CF 7501) and account for any duties and other charges (eg. the Merchandise Processing Fee assessed on shipments of non-originating goods).¹⁸

At the time of clearance the US Broker should have all the documents he needs for the entry summary except the TPL Certificate of Eligibility.

If your goods are being imported into the US under TPL, ask your Canadian Broker to help you apply for a Certificate of Eligibility as soon as the goods have cleared. A copy of the Certificate of Eligibility should be sent to the US Broker when you receive it.¹⁹ If the Certificate is not available when the entry summary is filed, you will have to pay the duty. If you receive the certificate later you may be able to claim a refund. TPL refund claims are discussed later in the guide.

(b) Post entry review

If US Customs requires additional information about the shipment (costing information, production records, a sample, NAFTA confirmation, etc.) they will send the importer of record a Form CF28 Request for Information. Customs normally allows the importer 30 days to respond. In certain cases an extension may be granted. If you receive a CF28 Request for Information, DO NOT attempt to answer it yourself. Contact your Broker immediately for assistance.

¹⁸ US Customs charges importers a user fee called the Merchandise Processing Fee. The fee is not payable on NAFTA originating goods. On non-NAFTA goods (including TPL goods) the fee is 0.21% (.0021) of the value of the merchandise with a minimum of \$25 per Customs entry.

¹⁹ This document is discussed in the section of this guide on Tariff Preference Levels.



If US Customs detects an error in the entry or a problem with the goods, they will issue a Form CF29 Notice of Action. You may be asked to pay additional duties, or even to redeliver the goods to the border for re-export. If this is not possible, a penalty (liquidated damages) will be assessed based on the severity of the contravention and value of the merchandise. You may protest the penalty or request mitigation if the circumstances warrant it.

(c) Liquidation

US Customs formally “closes” the Customs transaction within 314 days of entry in a process called “Liquidation.”

(d) Returns

From time to time it may be necessary to return some merchandise to Canada. If the goods were produced in Canada they may be returned to Canada as “Canadian Goods Returned” free of duty and exempt from GST, subject to the conditions of Canadian Tariff Item 9813.²⁰

If the goods are being returned to Canada for repair and return to the US, they should be identified by US Customs on Form 4455 “Certificate of Registration” prior to leaving the US. Discuss this with the US Broker ahead of time. There may be some exceptions to this general rule.

If the goods are of foreign origin and you intend to claim a US duty drawback, you must file a “notice of intent to export” prior to exporting the goods.

²⁰ “Goods, including containers or coverings filled or empty, originating in Canada, after having been exported therefrom, if the goods are returned without having been advanced in value or improved in condition by any process of manufacture or other means, or combined with any other article abroad. For the purpose of this tariff item: (a) goods on which a refund of customs duty or drawback of customs duty has been made shall not be classified under this tariff item except upon payment of the customs duty equal to the refund or drawback allowed; ...”



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G. Courier Shipments

As a general rule, air courier shipments from Canada to the US are Customs cleared by the courier. You should be aware that couriers rarely if ever call for missing NAFTA or TPL certificates. If these documents are not available, the courier will simply pay the duties. It is therefore very important to provide the courier with a complete document package.

If you are shipping via a courier by ground service, you may nominate a US Broker to handle the clearance. Provide a complete set of documents to the courier. He will fax them to the Broker to arrange clearance and prepare the entry summary.



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II. Tariff Classification

Every product imported into the United States must be assigned a ten-digit tariff classification number. This number tells US Customs what the goods are, the applicable rate of duty and whether the goods may be subject to quota or embargo. The tariff classification number is also used to determine whether the product qualifies for preferential NAFTA tariff treatment.

The United States, like its major trading partners, has adopted the international Harmonized Commodity Description and Coding System for the purpose of classifying imported goods. The American version of the Harmonized System is called the Harmonized Tariff Schedule of the United States Annotated (HTSUS).

The classification of goods in the Harmonized System requires specialized knowledge and experience. Neither US Customs nor the authors of this guide recommend that importers classify their own goods. Even if you are conversant with the Canadian Customs Tariff, you cannot assume that the classification rules will be applied in the same way in the United States. The following information is for your general guidance only. It is provided to help you communicate with your Customs Broker or consultant about the classification of the goods you are exporting to the US for import entry purposes, and about the classification of the material inputs you are using for NAFTA “tariff shift” purposes.²¹

²¹ The US Tariff is available on the US International Trade Commission’s web site at <http://www.usitc.gov/tata/hts/index.htm>

The tariff classification of goods is explained in detail “Tariff Classification” an informed compliance publication available on US Customs web site at: http://www.customs.gov/xp/cgov/toolbox/legal/informed_compliance_pubs/general/

Classification guides for various textile products can be found at: http://www.customs.gov/xp/cgov/toolbox/legal/informed_compliance_pubs/textiles/



A. Understanding the Classification Numbering System

The HTSUS is divided into 22 “Sections” along broadly defined industry sectors. Textiles and wearing apparel are classified in Section 11. Each Section is divided in turn into one or more “Chapters.” For example, knitted garments are classified in Chapter 61; woven garments are classified in Chapter 62.

Each Chapter in turn is divided into a series of four-digit “Headings” which are in turn subdivided into six-digit “Subheadings.”

Like Canada, the US adds additional levels of specificity at the eight-digit and ten-digit levels for duty and statistical purposes respectively. Thus, only the classification up to the Subheading level is harmonized internationally. Because of this, the tariff shift rules in the NAFTA rules of origin are almost always based on a change at the Chapter, Heading or the Subheading level.

To better understand how the number is derived, let us consider a man’s 100% polyester knitted shirt. The garment is classified in HTSUS number **6105.20.2010**. Knitted and crocheted garments are classified in Chapter **61** of the HTSUS. Men's and boys' knitted or crocheted shirts are classified in Heading **6105**.

Heading 6105 is subdivided at the six-digit level into three Subheadings:

6105.10 men's or boys' cotton knitted or crocheted shirts

6105.20 men's or boys' man-made fibre knitted or crocheted shirts

6105.90 men's or boys' knitted or crocheted shirts of other fibres

Subheading 6105.20 is subdivided into two eight-digit numbers:

6105.20.10 men's or boys' man-made fibre knitted or crocheted shirts containing 23% or more by weight of wool or fine animal hair

6105.20.20 other men's or boys' man-made fibre knitted or crocheted shirts

6105.20.20 is further divided into three ten-digit classification numbers:

6105.20.2010 men's man-made fibre knitted or crocheted shirts other than shirts that contain 23 percent of more by weight of wool or fine animal hair

6105.20.2020 boys' man-made fibre knitted or crocheted shirts other than shirts that contain 23% of more by weight of wool or fine animal hair imported as parts of playsuits

6105.20.2030 boys' man-made fibre knitted or crocheted shirts other than shirts that contain 23% of more by weight of wool or fine animal hair other than imported as parts of playsuits.



B. Understanding how Goods are Classified in the Harmonized System

(a) Information required to classify textile products²²

The classification of goods in the HTSUS is governed by the rules set out in the General Rules of Interpretation, in the Section, Chapter and Subheading “legal” Notes and in the texts of the Headings and Subheadings. The HS is supplemented by detailed Explanatory Notes and a Compendium of Classification Opinions published by the World Customs Organization.²³

Your Broker cannot classify your goods properly unless you provide him with a complete and accurate description. Here are *some* of the elements required:

(i) To classify yarn and sewing thread:

Type of yarn: *staple, filament, chenille, gimped, ring-spun ...*

Processing: *carded, combed ...*

Number of plies: *single, multiple ...*

Yarn size: *decitex...*

(ii) To classify fabric

Construction: *knit, woven, wadding ...*

Size: *width, grams per square metre ...*

Composition: *fibre content, staple, filament ...*

Fabric type and weave: *plain, twill, satin, velveteen, poplin, pile, plastic coated ...*

Processing: *greige, bleached, dyed, yarns of different colours ...*

²² An excellent guide to “Apparel Terminology Under the HTSUS” and a guide to “Knit-to-Shape Apparel products” can be found on US Customs’ web site at:

http://www.customs.gov/xp/cgov/toolbox/legal/informed_compliance_pubs/

²³ The Explanatory Notes and the Compendium of Classification Opinions are available for purchase from the World Customs Organization. For additional information visit their web site at www.wcoomd.org

**(iii) To classify wearing apparel**

Description: *blouse, tailored collar shirt, trousers ...*

Fibre content: *100% cotton, 65% polyester/35% cotton ...*

Type of fabric: *denim, twill, corduroy ...*

Knitted upper garments: *number of stitches per centimeter, fleeced ...*

Gender and age: *men's, girls 7-16, infants under 24 months ...*

(b) General principles regarding the classification of textile products

The following general principles will help you understand how your Broker classifies your material inputs and the finished garments:

Most fibres, yarns and woven fabrics are classified in Chapters 50 through 55, which cover silk, wool, cotton, other vegetable fibres, man-made filaments and man-made staple fibres respectively. Most knitted and crocheted fabrics are classified in Chapter 60. Certain specialty yarns and fabrics are classified in other Chapters.

As a general rule, yarns and fabrics are classified according to the fibre that predominates by weight. For example, 85% cotton 15% polyester woven fabric is classified in Chapter 52 which covers cotton fibres, yarns and fabrics.

Knitted and crocheted garments, with the notable exception of brassieres, are classified in Chapter 61. Woven apparel is classified in Chapter 62.

As a general rule, individual articles of apparel are classified separately unless the Heading specifically covers a combination of two or more garments (*eg. suits*)

Garments are classified according to their nature and the fibre content of the main "shell" fabric. For example, a silk coat with a wool lining is classified as a silk coat, regardless of the relative weights or values of the shell and lining.

The HS contains a myriad of special rules for the classification of apparel, all of which must be taken into account to properly classify the finished article.



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III. Valuation

When your goods arrive at the border, it will be necessary to declare the value of each article for Customs' purposes. The "declared value" of the goods must be determined in accordance with US Customs valuation rules. The purpose of this section is to introduce you to these rules.

A. General Rules Governing the Valuation of Imported Goods

The US Customs valuation rules are based on the international valuation code developed under the General Agreement of Tariffs and Trade, the predecessor of the World Trade Organization. While the US Customs Valuation Encyclopedia²⁴ runs some 530 pages, the valuation of goods sold for export to the US is usually determined in the following, relatively straight-forward manner:

If your company is shipping the goods pursuant to a sale to an American customer, the declared value is generally based on your selling price, subject to certain adjustments. This method of assessing the declared value is called "Transaction Value."

If you are shipping consignment goods, no-charge samples or goods that cannot be declared under "Transaction Value," either because you do not have the information required or for any other reason, an acceptable alternate valuation method must be used.

The declared value of the goods is determined by your terms of sale. We have already seen that if you are selling "delivered duty paid" or under similar terms, you are responsible for the cost of the transportation and Customs formalities. Although these extra costs may be included in your selling price, some of them may be deductible from the declared value for Customs purposes.

²⁴ The US Customs Valuation Encyclopedia is available in pdf format on the internet at:
http://www.cbp.gov/xp/cgov/toolbox/legal/informed_compliance_pubs/value/



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US Customs only accepts true and accurate information. Estimations of any kind are not acceptable under any circumstances.

The valuation of imported goods can be extremely complex. If your company acts as the importer of record, you are responsible for the accuracy of the information provided to US Customs. Once again, in the words of US Customs:

*"Because many complicated factors can be involved in customs issues, an importer may wish to obtain a ruling...or...advice from an expert who specializes in customs matters, for example, a licensed customs broker, attorney or consultant. Reliance solely on the information in this pamphlet [the comprehensive Customs Valuation Encyclopedia] may not be considered reasonable care."*²⁵

B. Transaction Value – Adjustments to the Selling Price

(a) Additions

The declared value must be adjusted by **adding** the following amounts if and to the extent they are not included in your invoiced selling price:

- Transportation charges **to** the place of direct shipment to the United States. This adjustment rarely applies to goods exported directly from a Canadian factory or warehouse to the United States.
- Export packing charges. These are probably included in your selling price.
- Any selling commissions paid to a sales agent. If you pay your agent yourself, his commission is probably already included in your selling price. If your customer pays your agent, you must add his commission to the declared value.

²⁵ Michael T. Schmitz, Assistant Commissioner, Office of Regulations and Rulings, US Customs & Border Protection Service.



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- If you are doing contract work (CMT) for an American customer, or if your customer directly or indirectly supplies you with any materials free of charge or for a reduced cost that are used or consumed in the production of the goods, including but not limited to fabric, fasteners, packaging and even hang tags, labels or price tickets, their value must be added to the declared value.
- If your customer supplies you with any tools, dies, moulds or similar equipment free of cost or for a reduced amount, the value of the equipment must be added to the declared value.
- The value of engineering, development, artwork, designs, plans and sketches undertaken elsewhere than in the US and necessary for the production of the goods. This rule does not apply to designs and the like created in the US.
- In certain circumstances, royalty payments, trademark fees, license fees and subsequent proceeds have to be added to the declared value. The status of these payments must be considered on a case by case basis.

(b) Deductions

The following amounts may be deducted from the declared value to the extent the amount is included in the selling price and identified on the invoice.

- Transportation charges **from** the place of shipment (generally your warehouse or factory) to the place of delivery in the United States. Customs may ask to see the carrier's invoice to verify the amount.
- If your terms of sale are delivered duty paid, your selling price should include the US Customs duties (if any) and the Customs Broker's fees. These amounts are all deductible if your invoice indicates that they are included in the selling price. You do not have to show the exact amount on the invoice. The Broker can calculate it for you.



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- As a general rule, discounts offered **prior** to importation may be deducted from the declared value. The discount must be shown on your invoice and claimed by your customer. Discounts offered **after** the goods have been imported, such as deferred quantity discounts, are not taken into consideration.
- Discounts should not be confused with a credit you may issue to compensate your customer for a problem in a previous shipment. Off-sets, credits and allowances for defective or returned merchandise should be discussed with your Broker.

C. Special Valuation Rules

(a) Related party transactions

Transactions between related parties are carefully scrutinized to ensure the declared value is acceptable for Customs purposes. Related-party transactions also raise transfer pricing and taxation issues on both sides of the border. These issues should be addressed by a competent taxation practitioner.

(b) Free of charge goods

Gifts and free samples cannot be appraised under Transaction Value because the goods are not sold for export to the United States. An alternative valuation method must be used. Your Customs Broker should be able to help you arrive at an acceptable value.

Mutilated samples sent to the United States for the purpose of soliciting orders are eligible for duty free entry if they are declared at less than \$1.00 each.

The value of samples that are not mutilated must be determined in accordance with the code (eg. cost of production plus a mark up). Non-mutilated samples are subject to duty if not accompanied by a valid NAFTA certificate of origin.



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IV. Marking, Labelling & Country of Origin

The US Government as well as certain American States require goods to be marked or labeled with information of interest to the purchaser or consumer. Most garments shipped to the United States must be marked or labeled with the country of origin, fibre content, identity of the manufacturer or dealer and care instructions.

Garments that are not marked and labeled in accordance with these requirements may not be imported into or distributed in the United States. The purpose of this section is to familiarize you with the US country of origin rules and marking and labeling regulations.

A. Country of Origin Marking Requirements

Every article of foreign origin entering the United States must be marked with the origin of the product in a conspicuous place as legibly, indelibly, and permanently as the nature of the article will permit. The purpose of this is to indicate to the ultimate purchaser in the US the English name of the country of origin. The ultimate purchaser is usually the last person in the US who will receive the article in the form in which it was imported.



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B. How to Determine the Country of Origin of a Textile Garment

(a) General Rules

In 1996 the United States implemented new rules of origin for textile and apparel products. These rules are used to determine the country of origin of a product for marking, quota and other purposes.²⁶

As a general rule, a garment that is cut and sewn or otherwise assembled in Canada originates in Canada for **marking** purposes. (However, an article that may be marked “Made in Canada” does not automatically qualify for preferential tariff treatment under NAFTA).

(b) Exceptions

One notable exception to this rule applies to knit-to-shape garments. The country of origin of a knit-shape garment is the country in which the major parts were knitted or crocheted directly into the shape used in the finished product, not the country where the assembly operation took place.

Other special rules and exceptions may also apply under diverse circumstances, such as garments produced in more than one country. These situations must be considered on a case by case basis by your Customs Broker, who may recommend a binding advance ruling from US Customs.

(c) The NAFTA Override Rule

If the article qualifies as an “originating” good under the NAFTA rules of origin and if NAFTA preference is claimed by the importer, a good produced in Canada is deemed to originate in Canada for marking purposes, even if the general rule of origin provides a different result. See the section of this guide on the NAFTA rules of origin for additional information.

²⁶ A comprehensive guide to these rules is contained in US Customs’ informed compliance publication “Textile & Apparel Rules of Origin.” This publication is available on the internet at http://www.customs.gov/xp/cgov/toolbox/legal/informed_compliance_pubs/informed_compliance_pubs.xml



C. The Country of Origin Label

All wearing apparel must be marked with the name of the country of origin by means of a fabric label, unless a precedent exists which has ruled in favour of another form of marking. The country of origin marked on the label must be prominently displayed and may not be covered by any other tag or label so as to be clearly legible, conspicuous and readily accessible to the purchaser. The rules concerning the placement of the country of origin label on the garment are reviewed at the end of this section. If the label displays the name of another country, (eg. "Designed in Italy"), the name of the actual country of origin must be displayed in larger print. Otherwise the label may be considered misleading.

D. Fibre Content and Dealer Identification Label

Most garments also require a label indicating the fibre content and name or RN number of the importer, wholesaler or retailer.

(a) Articles that require a fibre content label

All garments including socks, hosiery, scarves and handkerchiefs, that contain textile fibres (including filaments) are subject to fibre content labelling unless they are specifically exempted.

All garments made from fur are subject to content labelling.

Articles that contain any percentage of wool (or recycled wool) fibres are subject to fibre content labelling, even if the article may otherwise be exempt.

An article that would otherwise be exempt from fibre content labelling is no longer exempt if it contains a statement concerning the fibre content.



(b) Exemptions

Hats, caps and other headwear, shoes, overshoes, boots, slippers and all outer footwear are exempt from fibre content labelling unless the article contains wool fibres.

Parts of an article that are made from coated fabric that does not contain wool are exempt. For the purposes of this exemption, a coated fabric is any fabric which is coated, filled impregnated or laminated with a continuous film forming polymeric composition, where the weight added to the base fabric is at least 35% of the weight of the fabric before coating.

Linings, interlinings, fillings and padding used for structural purposes are exempt unless they contain wool fibres. This exemption does not apply if the material is used for warmth, or if any statement is made about its fibre content.

(c) Dealer Identification

Articles that are subject to fibre content labelling must also identify the company name or Registered Identification Number (RN) of the manufacturer, importer or another firm marketing, distributing or otherwise handling the product. RN numbers are only issued to companies in the United States. In lieu of an RN number, a Canadian company may indicate:

- the full name under which it is doing business. A trademark, trade name, brand name, label name or designer name cannot be used unless that is also the name under which the company is doing business, or
- the name or RN number of the American importer if the goods are imported into the US by an American company that has authorized the Canadian manufacturer to use the American company's name or RN number, or
-



- the name or RN number of an American wholesaler or retailer if the goods are handled by that company and that company has authorized the Canadian manufacturer to use its name or RN number.

(d) Information required on the fibre content label

The fibre content label must show the generic names and percentages by weight of the textile fibres contained in the garment in descending order of weight. The information must be in type or lettering of equal size and prominence.

The presence of non-fibrous articles such as zippers, beads and parts or components made of leather, plastic or metal does not have to be disclosed.

An excellent guide to these rules can be found in US Federal Trade Commission publication *"Threading Your Way Through the Labeling Requirements."*²⁷ It addresses most fibre content labeling issues including the generic names of various fibres; the rule for fibres that comprise less than 5% of the fibre weight, the way to disclose decorative trimmings and ornamentation; rules for linings, interlinings, filling and padding used for structural purposes or for warmth; and the sectional disclosure rules for garment parts with different fibre contents.

²⁷ <http://www.ftc.gov/bcp/online/pubs/buspubs/thread.htm>



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E. Care Labels

All ready for sale wearing apparel must bear a permanent care label unless the article is specifically exempted under the care labeling regulations. The purpose of care labeling is to provide, at the time of retail sale, regular care instructions that will remain on the article and last for its useful life. Finished and substantially completed articles of apparel are considered to be ready for sale to consumers and therefore must be labeled prior to entry into the United States.

The care label must provide complete instructions about regular care of the garment and provide warnings if the garment cannot be cleaned without harm. The importer or manufacturer must ensure that the care instructions, if followed, will not cause substantial damage to the product.

The consumer must also be warned about any procedures that he might assume are consistent with the instructions on the label but that would cause harm to the product. For example, if a pair of pants is labeled for washing, consumers may assume the pants can be ironed. If the pants would be harmed by ironing, the label should clearly warn the consumer not to iron them.

The care label must have either a washing instruction or a dry-cleaning instruction. If the item can be both washed and dry-cleaned, the label only requires one of these instructions.

The care symbols developed by the American Society for Testing and Materials (ASTM) designated as *ASTM Standard D5489-96c, Standard Guide for Care Symbols for Care Instructions on Textile Products*, may be used in place of words, but the symbols must fulfill the requirements of the Rule. The symbols designated as an international standard by the International Standards Organization (ISO) are *not* approved for use on care labels in the US. Detailed content instructions are available on the internet.²⁸

²⁸ www.washingtonwatchdog.org/documents/cfr/title16/part423.html#423.8



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Certain articles do not require a permanent care label, and instead must bear a conspicuous temporary care label at the point of sale. These include totally reversible clothing without pockets; products that may be washed, bleached, dried, ironed and dry-cleaned by the harshest procedures available, as long as the instruction “Wash or dry-clean, any normal method” appears on the temporary label; and products that have been granted exemption on the grounds that care labels will harm their appearance or usefulness.

Certain products are exempt from care labeling, including shoes, hats, gloves and neckties. A complete list of these products can be found on the internet.²⁹

The care labelling regulations establish acceptable standards of compliance. An importer or manufacturer who applies the label to the garment must have, prior to sale, a reasonable basis for all regular care information disclosed to the purchaser.

For example, a garment cannot state “dry clean only” unless proof exists that washing is harmful to the garment. Failure to provide reliable care instructions and warnings for the useful life of an item is a violation of the *Federal Trade Commission Act*.

Contraventions of the care labelling rules are subject to enforcement action and severe monetary penalties.

²⁹ www.washingtonwatchdog.org/documents/cfr/title16/part423.html#423.8



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F. Placement of the Origin, Fibre Content and Care Labels on the Garment

The country of origin, fibre content, dealer identity and care instructions may appear on the same label or on separate labels. The placement of these labels is subject to the following requirements:

(a) Country of origin information

The country of origin must be prominently displayed and not covered by any other tag or label.

In garments that cover the upper torso such as shirts, blouses, coats sweaters, dresses and similar apparel, the label must be attached to the inside center of the neck midway between the shoulder seams or in that immediate area.

Trousers, slacks, jeans, shorts, skirts and similar apparel must be marked by means of a permanent label affixed in a conspicuous location on the garment such as the inside of the waistband.

Men's or women's two or three piece suits may be marked in the jacket if the suit is bought and sold as a unit when all of the pieces are made in the same country.

Exceptions are made for certain types of garments such as reversible jackets, which may be permanently marked with a sewn-in label at the inside pocket in combination with a hang tag attached to the front zipper closure. However, any deviation from the general marking rules must be pre-approved by US Customs.



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(b) Fibre content and dealer identity information

If a separate fibre content and dealer identity label is used, the label must be securely attached to the product until the article is delivered to the consumer. The information must be legible, conspicuous and readily accessible to the consumer.

Certain products, such as hosiery, reversible garments and certain sets, suits and ensembles may be subject to alternate placement rules. For example, packaged women's hosiery may provide the country of origin and other consumer information directly on the package rather than on the stockings themselves.

Any deviation from the general fibre content label placement rule, or any other questions you may have about the placement of these labels should be discussed with US Customs or your Customs Broker.

(c) Care instructions

If a separate care label is used, it must be conspicuously placed so that it can be seen or easily found when the product is offered for sale to consumers. If the product is packaged, displayed, or folded so that customers cannot see or easily find the label, the care information must also appear on the outside of the package or on a hang-tag fastened to the product. A garment that consists of two or more parts and that is always sold as a unit only requires one care label if the care instructions are the same for both pieces. The label should be attached to the major part of the ensemble.



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V. NAFTA Rules of Origin

In 1994, Canada, Mexico and United States entered into a free trade agreement designed to eliminate trade barriers and establish rules and procedures to promote free and fair trade in goods and services within North America. The most significant aspect of the North American Free Trade Agreement has been the elimination of import duties on goods that “originate” in the NAFTA territory. This section will introduce you to the NAFTA rules of origin.³⁰

A. A Few Definitions to Start

NAFTA territory – The expressions “NAFTA territory” and “territory” refer to Canada, Mexico and the United States as defined in Annex 201.1 of the NAFTA.³¹

Originating – The expression “originating” when referring to goods or materials means that the article or material was produced in the NAFTA territory and qualifies under the NAFTA rules of origin (Chapter 4 and Annex 401 of the North American Free Trade Agreement).

Made in or produced in – These expressions refer to the place a material or article was produced. It is important to understand that a product produced in the NAFTA territory is not necessarily an “originating” good under the NAFTA rules of origin.

Tariff shift – A “tariff shift” is a change from one classification number to another. For NAFTA purposes, tariff shifts are usually prescribed at the Chapter, Heading or Subheading level.

³⁰ An excellent description of the NAFTA rules of origin for textiles and apparel can be found in US Customs informed compliance publication “NAFTA for textiles and Textile Articles” http://www.customs.gov/xp/cgov/toolbox/legal/informed_compliance_pubs/informed_compliance_pubs.xml

³¹ A copy of the NAFTA is available on International Trade Canada’s web site at <http://www.dfait-maeci.gc.ca/nafta-alena/agree-en.asp>



Yarn forward – The expression “yarn forward” is commonly used to describe a NAFTA rule of origin that requires both the yarn and the fabric inputs to be made in the NAFTA territory.

Fabric forward – The expression “fabric forward” is used to describe a NAFTA rule of origin that requires the fabric inputs to be made in the NAFTA territory.

NAFTA Certificate of Origin – The exporter of an originating good must prepare a NAFTA certificate of origin in the prescribed format certifying that the goods qualify for NAFTA tariff treatment. The preparation of this document is discussed in the first section of the guide. Under no circumstances should an exporter certify goods that he cannot demonstrate, beyond a shadow of a doubt, to qualify as originating goods under the NAFTA rules of origin.

B. A General Overview of the NAFTA Rules of Origin

(a) General rules and principles

The NAFTA contains a series of rules which are used to determine whether a product “originates” in the NAFTA territory and as such qualifies for the benefits of Free Trade. These rules are contained in Chapter 4 and in Annex 401 of the NAFTA.



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Rule A³²—Goods originate in the NAFTA territory if they are obtained or produced entirely in the NAFTA territory. For example, a pair of dyed socks knitted and finished in Mexico from yarns spun in Mexico from cotton grown in the United States would only qualify under this rule if the dye stuff and all of the chemical components used to produce it were also made in the NAFTA territory. Goods that qualify under this rule are coded with an “A” in the “Origin Criterion” field on the NAFTA certificate of origin. An exporter should not quote this code unless he can definitively support his claim with documentary evidence.

Rule B—Goods also originate in the territory when they have been transformed in Canada, Mexico and/or the US so as to satisfy the specific NAFTA rule of origin for that product in Annex 401 of the Agreement. As a general rule, a textile garment originates when the materials used to make it satisfy a prescribed tariff shift. Goods that qualify under this rule are coded with the letter “B” in the Origin Criterion field on the NAFTA certificate of origin. This is the most common rule used for textiles and wearing apparel. A number of examples are provided below.

Other Rules—The Agreement contains a number of other general rules under which goods can be deemed to originate in the territory for Free Trade purposes. These rules rarely apply in the case of textiles and wearing apparel and are therefore not discussed any further in this guide.

³² The rule designations “A” “B” “C” and “D” are not used in the Agreement itself. These letters correspond to the “origin criterion” codes shown on the NAFTA certificate of origin to explain why the goods qualify as originating goods.



(b) Transshipment

An originating article or material that is processed or altered in any way outside the territory after it was produced automatically loses its status as an originating good. For example, an NAFTA garment will lose its originating status if it is sent to a non-NAFTA country after production to have so much as a labeled sewn on.

The only operations permitted outside the territory subsequent to production are loading, unloading or reloading the goods, or any other operation necessary to preserve the goods in good condition while they are being transported from one NAFTA country to another. Of course, it is highly unlikely a shipment from Canada to the United States would ever be shipped through another country.

(c) Special rule for packaging materials and containers for retail sale

The qualifications of an originating article of apparel are not affected by the country of origin of any export packing, retail packaging (eg. poly bags) or shipping containers associated with the merchandise.

C. The Apparel Production Process from a NAFTA Perspective

Textile garments may be produced in one of two ways:

- The production of most textile garments is a three part procedure: yarn is made by spinning or twisting staple fibres or filaments; the yarn is then knitted or woven into fabric; and finally, the fabric is cut and sewn into apparel.
- Some articles of apparel, such as sweaters, are made by assembling knit-to-shape garment parts.

These two processes are the basis of the specific rules of origin.



D. Specific Rules of Origin Pertaining to Textile Wearing Apparel

(a) The tariff shift

The specific rules of origin are contained in Annex 401 of the Agreement.

For every classification number in the Harmonized System there is a corresponding specific rule of origin. In the case of textile wearing apparel, these rules prescribe a particular tariff shift from the yarn or fabric to the finished garment.

The most important thing to bear in mind when we are applying the specific rules of origin is that the tariff shift only applies to non-territorial materials. No permission is ever required to use North American inputs. In fact, if the article originates in North America “from the ground up,” there is no need to consider the specific rules of origin at all.

A few examples should help illustrate how these specific rules are applied.

(b) Garments made from a single type of fabric

For garments that contain non-territorial yarn or fabric, like a pair of socks made from Korean yarn, or a shirt made from English fabric, instead of listing (by classification number) each of the non-territorial materials that *may* be contained in the article, the NAFTA rules of origin only specify those non-territorial inputs that *may not* be used to produce the finished article. We will refer to these inputs as “disqualifying” materials.

In most of the specific rules of origin for wearing apparel, both the yarn and the fabric must be produced and obtained in the NAFTA territory. (“Yarn Forward”)

Example 1: Let us consider a t-shirt classified in heading 6109. Assume that the t-shirt is cut and assembled in Canada from 55% cotton/45% polyester knitted fabric. The fabric originates in China.



The specific rule of origin for Heading 6109 reads as follows. (The words in italics and square brackets have been added for ease of reference):

A change to heading Nos. 61.09 [*t-shirts*] through 61.11 from any other chapter, **except** from heading Nos. 51.06 through 51.13 [*wool yarn and woven fabric*], 52.04 through 52.12 [*cotton yarn and woven fabric*], 53.07 through 53.08 or 53.10 through 53.11 [*certain vegetable yarns and woven fabrics*], Chapter 54 [*man-made filament yarn and woven fabric*], or heading Nos. 55.08 through 55.16 [*man-made staple yarn and woven fabric*] or **60.01 through 60.06** [*knitted or crocheted fabric*], provided that the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or more of the NAFTA countries.³³

The first question we must ask ourselves is whether our t-shirt was cut and sewn in the territory. Since the t-shirt was cut and sewn in Canada, we must next ask ourselves whether the t-shirt contains any of the “disqualifying” materials listed in the specific rule of origin. To answer this question, we first have to classify the yarn and fabric that was used to make the t-shirt.

55% cotton/45% polyester knitted fabric is classified in Chapter 60 of the Harmonized System. The list of disqualifying tariff items includes all of the tariff items in Chapter 60. Consequently, these t-shirts do not meet the rule of origin.³⁴

Example 2: Let’s look at another example, in this case a girl’s 100% cotton blouse. The fabric is plain woven and piece dyed. The fabric weighs 150 grams per square metre. The blouse is classified in Subheading 6206.30 of the Harmonized System. The fabric was woven and finished in the United States from cotton yarns produced in Egypt. The specific rule of origin for Heading 6206 reads:

³³ The same conditions apply to almost all knitted and crocheted garments.

³⁴ The blouse may, however, be eligible for Tariff Preference level. This is discussed in the next section.



A change to heading Nos. 62.06 [*girl's woven blouses*] through 62.10 from any other chapter, **except** from heading Nos. 51.06 through 51.13 [*wool yarn and woven fabric*], **52.04 through 52.12** [*cotton yarn and woven fabric*], 53.07 through 53.08 or 53.10 through 53.11 [*certain vegetable yarn and fabric*], Chapter 54 [*man-made filament yarn and woven fabric*], or heading Nos. 55.08 through 55.16 [*man-made staple fibre yarn and woven fabric*], 58.01 through 58.02 [*most woven cut or uncut pile fabric, including corduroy, chenille, terry*] or 60.01 through 60.06 [*knitted or crocheted fabric*], provided that the good is both cut and sewn or otherwise assembled in the territory of one or more of the NAFTA countries.³⁵

Again, the first question we must ask ourselves is whether the blouse was cut and sewn in the territory. Since the blouse was cut and sewn in Canada, we must next ask ourselves whether the blouse contains any “disqualifying” materials listed in the specific rule of origin. To answer this question, we must first classify the yarn and fabric.

100% cotton dyed plain woven fabric weighing 150 grams per square metre is classified in Subheading 5208.32. As we can see above, the specific rule of origin prohibits the use of non-territorial cotton woven fabric. Since our fabric was woven and finished in the United States, it meets this first test. Unfortunately though, the specific rule of origin also prohibits the use of non-territorial cotton yarn. Since our yarn was spun in Egypt, the finished blouse is disqualified by the specific rule of origin.³⁶

Example 3: Now let us now assume our blouse is cut and sewn in Canada from 100% woven and dyed linen (flax) fabric produced and finished in Ireland. Does this linen blouse originate in the territory for the purposes of Free Trade?

Again, the first question we must ask ourselves is whether the garment was cut and sewn in the NAFTA territory. Since it was, we must ask ourselves whether it meets the other conditions of the specific rule of origin.

³⁵ The same conditions apply to almost all woven apparel.

³⁶ This garment may qualify for Tariff Preference Level.



Linen blouses are also classified in Heading 6206, so the same specific rule of origin applies. 100% woven dyed linen (flax) fabric is classified in Subheading 5309.19. Linen (flax) yarn is classified in Heading 5306. When we look at the list of classification numbers in the specific rule of origin, we can see that neither Heading 5306 nor Subheading 5309.19 is listed amongst the disqualifying inputs. Consequently, this linen blouse qualifies as an originating good under the specific rule of origin and may be certified by the exporter on a NAFTA certificate of origin.

(c) Garments with multiple components made from different kinds of fabrics

These three examples help explain how to apply the tariff shift rule to a garment that contains only one type of fabric. But how do we treat a garment that contains multiple components made from different types of fabric?

Let us consider, for example, a girl's blouse that has a main body made of 55% polyester/45% cotton woven fabric and a collar and cuffs made of 100% cotton corduroy. The polyester/cotton fabric originates in the NAFTA territory from the yarn forward. The corduroy fabric was produced in Korea.

Polyester/cotton woven blouses are classified in Subheading 6206.40. 55% polyester/45% cotton woven fabric is classified in Heading 5513.

As we saw earlier, the specific rule of origin for heading 6206 requires a change to heading Nos. 62.06 [*girl's woven blouses*] from any Chapter other than from Headings 55.08 through 55.16 [*man-made staple fibre yarn and woven fabrics*] and 58.01 through 58.02 [*woven pile fabrics, including corduroy*], etc.

Our blouse contains components made from polyester/cotton fabric classified in Heading 5513 and components made of corduroy fabric classified in Subheading 5801.22.



As we noted earlier, the tariff shift rules only apply to non-territorial materials. Since the polyester/cotton fabric originates in the territory from the yarn forward we do not have to take this fabric into consideration.

The Korean corduroy fabric, on the other hand, is classified in one of the “disqualifying” tariff numbers listed in the specific rule of origin. Does the presence of this fabric mean our blouse does not qualify as an originating good?

The specific rules for Chapters 61 and 62 each include a number of “Chapter Notes” that explain how to interpret and apply the specific rules of origin.

According to Note 3 of Chapter 62, the tariff shift prescribed in the specific rule of origin only applies to the component that determines the tariff classification of the article.³⁷

In our example, the fabric that determines the tariff classification of the finished blouse is the polyester/cotton fabric in the main body of the garment. Because of this, we do not have to take the corduroy fabric in the collar and cuffs into consideration for tariff shift purposes.

Since the main polyester/cotton fabric originates in the territory from the yarn forward, the finished garment qualifies as an originating good.

³⁷ The principle is contained in Chapter Note 2 to Chapter 61 and in Chapter Note 3 to Chapter 62. It reads as follows:

“For purposes of determining the origin of a good of this Chapter, the rule applicable to that good shall only apply to the component that determines the tariff classification of the good and such component must satisfy the tariff change requirements set out in the rule for that good. If the rule requires that the good must also satisfy the tariff change requirements for visible lining fabrics listed in Note 1 to this Chapter, such requirement shall only apply to the visible lining fabric in the main body of the garment, excluding sleeves, which covers the largest surface area, and shall not apply to removable linings.”

**(d) Knit-to-shape garments**

The specific rules of origin also apply to garments that are made from knit-to-shape components, but in a somewhat different way because these garments are not made from fabric.

For knit-to-shape garments, the knitted components must be knit to shape and assembled in the NAFTA territory from territorial yarn, or from non-territorial yarn that meets the tariff shift prescribed in the specific rule of origin. Otherwise the garment will not qualify as an originating good.

E. The Visible Lining Rule

Chapters 61 and 62 include another Chapter Note which is usually referred to as the “visible lining rule.”

According to this Note, the specific rule of origin for certain garments, including suits, blazers and outerwear coats and jackets, requires two different tariff shifts: one for the main component of the garment and another for any “visible lining fabric.” The important thing to remember here is that the visible lining rule only applies if the specific rule of origin for the garment in question calls for it.

Consider, for example, men’s cotton woven anoraks classified in Subheading 6201.92.

The specific rule of origin for Subheading 6201.92 is similar to the specific rules described in the previous examples, except that it includes an additional condition that “the visible lining fabric listed in Note 1 to Chapter 62 satisfies the tariff change requirements provided therein.”

This time we must ask ourselves is what the expression “visible lining” means.



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According to the Chapter Note, this only applies to the visible lining fabric in the main body of the garment (excluding sleeves) that covers the largest surface area. What this means is that the lining inside the sleeves and any lining fabric that is **not** visible does not have to meet the visible lining rule. It also means that if there are two or more visible lining fabrics in the body of the garment, the rule only applies to the fabric that covers the largest surface area.

Finally, the Note explains that the rule does not apply to removable linings.

If the visible lining rule applies, you must first determine the classification number of the lining fabric. This is something you should ask your Customs Broker to help you with. Once you have done so, check to see if the number is on the list in Chapter Note 1 of Chapter 61 or 62.³⁸ If it isn't, there is nothing more to consider.

But if it is included on the list, the rule requires the fabric to be constructed (woven, knitted or crocheted) in the territory from yarns of any origin. (This is an example of the "fabric forward" rule).

If the lining fabric does not meet this test, the garment is automatically disqualified and cannot be considered an "originating" good no matter what the outer shell of the garment is made of.³⁹

³⁸ The Chapter Note reads: "A change to any of the following heading Nos. or subheading Nos. for visible lining fabrics: 51.11 through 51.12, 5208.31 through 5208.59, 5209.31 through 5209.59, 5210.31 through 5210.59, 5211.31 through 5211.59, 5212.13 through 5212.15, 5212.23 through 5212.25, 5407.42 through 5407.44, 5407.52 through 5407.54, 5407.61, 5407.72 through 5407.74, 5407.82 through 5407.84, 5407.92 through 5407.94, 5408.22 through 5408.24 (excluding tariff item No. 5408.22.11, 5408.22.21, 5408.22.29, 5408.23.10, 5408.24.11 or 5408.24.19), 5408.32 through 5408.34, 5512.19, 5512.29, 5512.99, 5513.21 through 5513.49, 5514.21 through 5515.99, 5516.12 through 5516.14, 5516.22 through 5516.24, 5516.32 through 5516.34, 5516.42 through 5516.44, 5516.92 through 5516.94, 6001.10, 6001.92, 6005.31 through 6005.44 or 6006.10 through 6006.44, from any heading No. outside that group."

³⁹ A garment that is disqualified because of its visible lining fabric may be eligible for Tariff Preference Level. Please refer to the following section of this guide.



F. The De Minimis Rule

Notwithstanding the general and specific rules described above, the Agreement includes a special, over-riding provision called the “*de minimis*” rule. According to this rule, an article is not disqualified if the fibres or yarns that do not meet the prescribed tariff shift do not constitute more than 7% of the weight of the component that determines the tariff classification.

For example, a 100% cotton woven blouse is made from American fabric that contains 95% American cotton yarn and 5% Egyptian cotton yarn. The rule of origin for blouses is “yarn forward.” Nevertheless, this garment is not disqualified from NAFTA because the Egyptian yarn constitutes less than 7% by weight of the main fabric.

G. Notable Exceptions to the “Yarn Forward” Rule of Origin

(a) The “cut and sewn” rule

While most articles of apparel are subject to the “yarn forward” rule of origin, there are a number of notable exceptions. For example, silk or linen apparel only requires the cutting and sewing to be done in the territory. The country of origin of the yarn and fabric is not taken into consideration.

A similar rule applies to brassieres, which may contain non-territorial inputs so long as those inputs are not classified as garment parts in chapter 62.



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(b) “Short supply” fabrics

Certain woven fabrics are considered to be unavailable from NAFTA sources of supply. Garments made from these fabrics are subject to the “cut and sewn” rule of origin. Short supply fabrics include genuine Harris Tweed fabric, certain velveteen fabrics and a number of shirting fabrics used to make men’s and boys’ tailored collar shirts. A complete list of short supply fabrics can be found in Chapter Note 2 of Chapter 62 and in the specific rule of origin for Heading 6205.

H. Leather and Fur Garments

The rules of origin for leather and fur garments are less stringent than those for textile garments. Non-territorial leather and fur skins may be used so long as the non-territory leather or fur is not already cut to shape into garment parts.

I. Fungible Goods

Fungible goods or materials are goods or materials that are interchangeable for commercial purposes and whose properties are essentially identical. For example, if your company manufactures t-shirts from **identical** rolls of cotton fabric that originate in the US and in China and are commingled in your materials inventory, these fabrics are considered to be fungible materials.

Similarly, if t-shirts made from these materials are commingled in inventory and cannot be distinguished, they are considered to be fungible goods. Some of these t-shirts should qualify for NAFTA and others should not. The problem is that the NAFTA and non-NAFTA t-shirts are commingled and indistinguishable.

The NAFTA includes a number of inventory management systems whereby a manufacturer who produces originating and non-originating fungible goods may claim NAFTA on a percentage of his goods. These rules are very complex and should not be considered without professional assistance.



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J. Alternative NAFTA Programs

A textile garment that does not qualify as an originating good because it contains non-territorial yarns or fabric may be eligible for duty free entry into the United States under “Tariff Preference Level.” The TPL program is described in the following section.

K. Compliance Standards

(a) Canada

Exporters and manufacturers are bound by Canadian law to not knowingly or negligently sign a NAFTA certificate of origin unless they are certain the goods qualify. The person who signs the certificate must retain detailed records supporting his certification for a period of not less than 6 years following the date the goods were exported.

These records include a copy of the certificate itself, advance rulings concerning country of origin or marking and information pertaining to the origin of the materials and components used to produce the goods, including any written representations or certificates of origin provided by the suppliers of those materials.

Canada Customs has the right to penalize an exporter who fails to keep proper records concerning his exports or fails to present a copy of a certificate of origin he has signed to a Customs officer upon request. An exporter may also be penalized for failing to notify the person to whom a certificate of origin was given about any incorrect information on it.



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(b) United States

If you act as the US importer of record, you must exercise “Reasonable Care” to ensure your claim for NAFTA is valid and substantiated.

The term “Reasonable Care” should not be underestimated. The standard of care expected by US Customs is extremely high. Because you are also the manufacturer of the goods, there should be no reason why you cannot provide all of the back-up documents required to support a claim for NAFTA, including production records and letters or certificates of origin from your North American yarn and fabric suppliers.

US Importers must keep and make available all records for a period of not less than 5 years from the date of entry. US Customs reserves the right to impose penalties against importers who fail to retain or tender any records requested.

L. NAFTA Refund Claims

NAFTA tariff treatment cannot be applied in the absence of a NAFTA certificate of origin. An importer may request a refund of duties for goods imported under the General (non-preferential) Tariff if a valid NAFTA certificate of origin is issued after the goods have been imported. NAFTA claims must be filed within 1 year from date of importation.



VI. Tariff Preference Levels

The NAFTA rules of origin for wearing apparel are perhaps the most restrictive in the Agreement. Most apparel products must undergo a triple transformation in North America from the yarn to the fabric to the finished garment. Unfortunately, many types of yarn and fabric are not available from North American sources of supply. The purpose of this section is to introduce you to the NAFTA Tariff Preference Level program.

A. What is Tariff Preference Level?

As a concession to the apparel industry, Canada, Mexico and the United States each agreed to remove the duties on a limited amount of apparel produced in the North America from yarn or fabric produced or obtained outside the territory. This program is referred to as Tariff Preference Level or TPL.

B. What are the TPL Rules of Origin?

In order to qualify for TPL the goods must meet the following conditions:

The garment must be classified in Chapter 61 or 62 of the Harmonized System. Apparel products classified in other Chapters (*eg.* headwear in Chapter 65) do not fall within the scope of the TPL program.

The garment must be disqualified under the NAFTA rules of origin because it contains non-North American yarn or fabric. It important to understand that TPL is not a fall back option for exporters who do not know where the material inputs they use originate. If you cannot identify the specific non-NAFTA country where the disqualifying yarn or fabric originates, you cannot use TPL.

TPL only applies to wool, cotton and man-made fibre apparel.



For TPL purposes wool apparel means (i) apparel in chief weight of wool; (ii) woven apparel in chief weight of man-made fibres containing 36 percent or more by weight of wool; and (iii) knitted or crocheted apparel in chief weight of man-made fibres containing 23 percent or more by weight of wool.

Cotton or man-made fibre apparel means apparel, other than wool apparel, classified as cotton or man-made fibre apparel under the Harmonized System. If you are unsure how your garments are classified, ask your Customs Broker for help.

The garment must be cut (or knit to shape) and sewn or otherwise assembled. One piece garments such as knit-to-shape neck tubes are excluded because they are not assembled.

Both the cutting (or knitting to shape) and the sewing or other assembly must be performed in the same NAFTA country (*ie.* Canada), and the garment must be shipped from Canada directly to the United States. If the garment is cut in one NAFTA country and assembled in another, it does not qualify for TPL.

C. How are Canada's export Tariff Preference Levels Organized?

Annual quotas are prescribed for the quantity of garments that Canada may export to the US under TPL. Canada's annual entitlement is divided into two categories:

"Wool apparel" that does not qualify for NAFTA because the yarn or fabric was produced or obtained outside North America. The disqualifying material may be the wool shell fabric or the visible lining fabric (wool or otherwise) if the lining fabric disqualifies the garment from NAFTA. In either case, a non-originating wool-shell garment requires "wool" TPL;⁴⁰ and

⁴⁰ You can learn more about the "visible lining rule" in the section of this guide that deals with the NAFTA Rules of Origin.



“Cotton or man-made fibre apparel” that does not qualify for NAFTA because the yarn or fabric was not produced or obtained in North America. This category is sub-divided into two sub-categories:

Cotton or man-made fibre apparel made from non-North American fabric, which requires “fabric” non-wool TPL, and

Cotton or man-made fibre apparel that is either knit to shape from non-North American yarn, or cut from fabric constructed in North America from non-North American yarn. This type of garment requires “yarn” non-wool TPL.

TPL is measured in square meter equivalents or SME’s. Schedule 3.1.3 of the NAFTA prescribes the number of SME’s required for each type of garment.⁴¹ For example, men’s wool suits require 3.76 SME’s per suit. Note that the number of SME’s required may not reflect the actual amount of fabric used to make that garment.

Canadian TPL exports to the US are subject to the following annual quotas:

Wool apparel: 5,325,413 SME’s, of which not more than 5,016,780 SME’s may be used for men’s and boys’ wool suits.

Cotton or man-made fibre apparel: 88,326,463 SME’s, of which not more than 63,060,603 may be used for garments produced from non-North American fabric.

A garment imported into the US after the TPL has run out in its category or sub-category is subject to duty at the regular “General Tariff” rate. The utilization of Canada’s export TPL can be monitored on International Trade Canada’s web site.⁴²

⁴¹ These can also be found in International Trade Canada’s TPL Export Schedule on its website at: http://www.dfait-maeci.gc.ca/trade/eicb/general/Bluebook/F_Section/f-toc-en.asp

⁴² <http://www.dfait-maeci.gc.ca/trade/eicb/textile/textiles-en.asp>



D. Participating in the TPL Program

Canadian apparel manufacturers who would like participate in this program and export apparel to the US under TPL must be registered with the Export Import Control Bureau of International Trade Canada. TPL is not provided to companies who are not registered. If you are not already in the program, you must register as a “new entrant.” To qualify as a new entrant:

- Your company must be resident in Canada,
- It must be primarily engaged in the design, manufacture and marketing of apparel goods to retail, corporate, industrial or institutional clients,
- It must own the fabric or yarn (in the case of knit to shape goods) used to manufacture of the apparel. (For this reason, contractors who only cut and sew on behalf of other companies cannot apply to become TPL quota holders.)
- Your company must either own or lease the equipment and premises in Canada in which you manufacture the apparel⁴³; or, if the cutting and sewing are performed for you by contractors, you must market and sell the goods to retail, corporate, industrial or institutional clients at arm's length; and finally,
- Your company may not be *affiliated* or *associated* with any other TPL quota holder. These terms are defined in ITC Notice to Exporters 123.

⁴³ Refer to the glossary of Notice to Exporters No. 123 on ITC's web site for the minimum percentages of in-house cutting and sewing required and other relevant information: <http://www.dfait-maeci.gc.ca/trade/eicb/notices/ser123gloss-en.asp>



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If you meet these conditions, you should complete a *New Entrant Application (2002) for Tariff Preference Level (TPL) Quota for Export of Non-Originating Apparel and Made-Up Goods to the United States*⁴⁴ and file it with ITC no later than May 31st of the year in question. A copy of the application is provided in the Appendix at the end of this guide.

Most of the questions on the application are self-explanatory. However, question 12 requires some explanation.

If you purchase non-wool fabric from a Canadian converter or wholesaler, ask him where the fabric was constructed. If it was made outside North America, you need “fabric” TPL. If your supplier does not know where the fabric was made, you cannot apply for TPL.

If the non-wool fabric was made in North America, ask your supplier where the yarn was made. If it was made outside North America, you need “yarn” TPL. If your supplier does not know where the yarn was made, you cannot apply for TPL.

If you are the least bit unsure which category of TPL you need, ask your Customs Broker for help. If you apply for the wrong category, you will not be able to ship your garments under TPL.

If your application is approved, you will receive a relatively small initial allocation of TPL in the category(s) you requested. As a general rule, new entrants will receive not more than 1,000 SME’s of wool TPL or 5,000 SME’s of cotton or man-made TPL.

⁴⁴ Current TPL quota holders who have received an annual allocation not exceeding 1,000 SME’s of wool TPL or not exceeding 5,000 SME’s of cotton or man-made TPL may also apply as “new entrants” to top up their current allocation to the 1,000 or 5,000 SME minimum.



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If your initial allocation is not adequate to your needs, there is a secondary market for TPL where you may be able to purchase additional SME's. These SME's can be purchased from a company like Milgram that operates a TPL quota pool. ITC refers to this as "transferring in" TPL. Only licensed Canadian Customs Brokers are authorized to transfer SME's into a quota holder's account.

TPL quota holders must use or dispose of their TPL in the prescribed manner by the end of the calendar year. If you close the year with a balance of unused SME's in your TPL account, either from your initial allocation or from additional SME's that you purchased during the year, you will receive a proportionately reduced initial allocation from ITC in the following year.

On the other hand, if you purchase and use additional TPL during the course of the year, you will probably receive a larger initial allocation from ITC in the following year. ITC's allocation policy is described in Notice to Exporters 123.⁴⁵

Once you are enrolled in the program, you do not have to re-register annually so long as you continue to produce and export apparel to the US under TPL.

E. Exporting Wearing Apparel to the US under TPL

A Certificate of Eligibility issued by ITC is required to export a shipment of wearing apparel to the US under TPL. These are the steps you must take to apply for a Certificate of Eligibility:

Start by making sure your goods do not qualify for NAFTA tariff treatment under the regular rules of origin. This may seem obvious, but remember, not all garments are subject to the "yarn forward" rule of origin.

Make sure the garments meet the TPL rules of origin and that you can identify the specific country where the disqualifying yarn or fabric was made or obtained.

⁴⁵ Referred to above.

Determine the number of SME's you need. To do so, you must classify the garments in ITC's HS-based Tariff Preference Level Export Schedule. The number of SME's is tied to the classification number.

Since the application for the Certificate of Eligibility is usually prepared after the goods have been classified for entry into the United States, the US Broker should be able to give you the classification numbers. If not, you can find them in the TPL Export Schedule on ITC's website.⁴⁶

The "NAFTA Conversion Factor" marked beside the tariff item in the Export Schedule indicates the number of SME's you will need for that particular garment. Note the unit of measure; not all garments are counted by the piece.

Because an error in classification can disqualify the goods from TPL, we recommend that you ask your Customs Broker to help you classify your goods and calculate the number of SME's you need.

Once you have determined the number of SME's you need, check to see if you have enough TPL in your account to cover the shipment. If you are not sure, ask your Canadian Broker to query your TPL account balance. Purchase additional TPL if necessary.⁴⁷

Applications for TPL are usually processed electronically by a Canadian Customs Broker who is data-linked to ITC's automated TPL system. Only a licensed Canadian Customs Broker can access this system. Ask your Broker to help you prepare the application and transmit it to ITC.

⁴⁶ http://www.dfait-maeci.gc.ca/trade/eicb/general/Bluebook/F_Section/f-toc-en.asp

⁴⁷ A manufacturer must formally authorize a Canadian Broker to query his TPL account and transfer additional SME's into it. A copy of the "Notice Form for Authorizing Brokers to Query Detailed Information on Accounts on Behalf of Quota Holders" and the "Notice Form for Authorizing Brokers to Make Transfers on Behalf of Quota Holders" are included in the Appendix at the end of this guide.



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If your application is approved, ITC will transmit a “Certificate of Eligibility” to your Canadian Customs Broker who will make it available to you. Sign and deliver the original to the US Customs Broker. The US Broker must have the Certificate in hand before he files the entry summary. (The entry summary must be filed with US Customs within 10 days after the goods are released.) If the Certificate is not available, the goods are subject to duty.

If the goods enter the US subject to duty, you may apply for a retroactive Certificate. A refund claim may be filed with a retroactive certificate to recover the duties. TPL claims can be filed any time prior to liquidation and within 180 days following liquidation.⁴⁸

⁴⁸ Liquidation was discussed earlier in the guide.



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F. TPL strategies

As a general rule, in any given year TPL quota holders may transfer out 25% of their annual quota to another manufacturer before December 31, or return 25% of their annual quota to ITC before September 30. This privilege does not apply to the initial allocation issued to new entrants.

A company may transfer out for various reasons:

TPL that is transferred out or returned to ITC on time is deemed to have been used by the transferor. A company with excess TPL in its account can use this mechanism to protect his allocation for the following year.

Some companies transfer out (sell up to 25% of their TPL) in order to realize its secondary market value, while other companies who require all of their own TPL may still want to sell a portion if the amount they receive for it exceeds the amount of duty the company will have to pay to US Customs as a consequence of the sale.

A quota holder cannot transfer in and out in the same category or subcategory in the same calendar year. For this reason, you must be very careful not to transfer TPL into your account that you will not be able to use. You will not be able to transfer it out later, and you may be penalized with a smaller initial allocation in the following year.

VII. Drawbacks

A Canadian manufacturer may be entitled to recover the Canadian import duties paid on foreign parts and materials used to produce goods for export.⁴⁹ This type of refund claim is called a “Drawback.”

The NAFTA includes special Drawback rules for Canadian-made apparel products exported to the United States. These rules only apply to apparel classified in Chapter 61 or 62 of the Harmonized System⁵⁰:

A. Claiming a Drawback on Apparel Exported to the United States

If the garments enters the US free of duty under NAFTA or TPL, the Canadian exporter/manufacturer **cannot** claim a drawback to recover the duties on non-NAFTA material inputs used to produce that garment. In this respect, shipping a garment to the United States is not significantly different from shipping it to another Canadian province.

However, if the garment enters the US subject to duty under the General (Most Favoured Nation) rate of duty, the Canadian exporter **is entitled** to claim back all of the Canadian import duties paid on dutiable material inputs.⁵¹

⁴⁹ For additional information please refer to Canadian Customs Memorandum D7-4-2 available on the internet at <http://www.cbsa-asfc.gc.ca/E/pub/cm/d7-4-2/README.html>

⁵⁰ If you export non-apparel goods to the US, or apparel products to Mexico or a non-NAFTA country, please speak with your Canadian Customs Broker. Different drawback rules apply.

⁵¹ For additional information please see Canadian Customs Memorandum D7-4-3. <http://www.cbsa-asfc.gc.ca/E/pub/cm/d7-4-3/d7-4-3-e.html>



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B. Drawbacks on Goods Imported and Exported in the same Condition

Canadian exporters may claim a full drawback of any Canadian import duties paid on imported goods that are imported into Canada and exported to the US in the same condition.

C. Duty Relief Program

A Canadian manufacturer who frequently files Drawback claims should speak with his Canadian Customs Broker about "Duty Relief." This program allows Canadian companies to import goods or materials destined for export free of duty. This program may not serve the interests of companies who export under NAFTA or TPL because the Canadian duties will have to be repaid to Canada Customs.

VIII. Recordkeeping

Canadian exporters are required to maintain complete and accurate records about the goods they export from Canada. The exporter is required to make these records available to Canada Customs upon request. US importers, including Canadian companies who act as the importer of record, are also required to keep records concerning the goods they import into the US and make them available to US Customs. Both Customs authorities have the right to assess penalties against a company who fails to meet its recordkeeping responsibilities. The purpose of this section is to introduce you to some of these requirements.

A. Canadian Recordkeeping Requirements

Canadian exporters must keep their records for a period of not less than six years following the date they export the goods. This applies to the exported apparel and the materials used to produce them. These records pertain to the origin, purchase, importation, cost and value of the goods and inputs; payment for these goods; any use these goods or materials are put to in Canada; and the exportation of the finished article.

An exporter must keep a copy of every certificate he has signed for a period of not less than six years following the date on which it was signed. He must also keep copies of all records relating to an advance origin or marking ruling issued by Canada Customs or US Customs; all written representations received from the producer of a good or material certifying that the goods qualify under the NAFTA rules of origin; all accounting records capable of identifying the purchase, importation, costs, value, payment and use of the goods; and all transportation documents relating to the exportation of the goods.

Every person who is required to keep such records must also make them available for inspection at all reasonable times by a Canadian Customs officer or a US Customs officer conducting a NAFTA verification audit under the Agreement.⁵²

⁵² For additional information on Canadian recordkeeping requirements, refer to Customs Memorandum D20-1-5 available at: <http://www.cbsa-asfc.gc.ca/E/pub/cm/d20-1-5/d20-1-5-e.html>



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Section VIII
Recordkeeping
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B. US recordkeeping requirements

US importers (including Canadian companies who clear their own goods into the US) must keep records and make them available to US Customs.⁵³

The term “records” includes any information required for, or relating to the entry of goods, including but not limited to statements, declarations and documents; electronically generated or machine readable data; electronically stored or transmitted information or data; books, papers and correspondence; accounts and financial accounting data; technical data; and computer programs necessary to retrieve information in a usable form.

As a general rule, any record required to be made, kept and rendered for examination or inspection must be kept for 5 years from the date of entry or from the date of the activity which required the creation of the record.

Unless the recordkeeper has adopted an approved alternate storage method, original records must be maintained, whether paper or electronic. Even if proper alternate storage methods have been adopted, certain records must be kept in their original format for a limited time, or may not be alternatively stored at all: other than packing lists, entry records must be kept in their original format for a period of 120 calendar days from the end of the release or conditional release period, whichever is later, or, if demand for return to CBP custody (“redelivery”) has been issued, for a period of 120 calendar days either from the date the goods are redelivered or from the date specified in the demand as the latest redelivery date if redelivery has not taken place.

Records required by other Federal agencies are subject to their respective record retention requirements.

⁵³ This is a very abbreviated outline of the US recordkeeping rules. For more information please refer to US Informed Compliance Publication “Recordkeeping” available at http://www.customs.gov/xp/cgov/toolbox/legal/informed_compliance_pubs/informed_compliance_pubs.xml



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Section IX
China Safeguard Quotas
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IX. China Safeguard Quotas

On January 1, 2005 the United States eliminated the import quotas and visa requirements on most textile and apparel products produced in WTO member states.

However, the United States (along with other WTO member states) reserves the right to re-impose “safeguard” quotas on products originating in China under prescribed circumstances.

Since January 1, 2005 the US has unilaterally imposed safeguard quotas on a fairly wide range of Chinese textile and apparel products, the importation of which is claimed to be causing harm to US producers of like goods. This has caused considerable harm and uncertainty to US importers who purchase goods from China, only to find when the goods arrive that the quota has run out.

In November 2005 China and the United States agreed to re-instate a bilateral quota regime through 2008. Details about this will be made published on Milgram’s web site (www.milgram.com) as soon as they become available.

Canadian apparel exporters are cautioned not to ship or commit to ship any product to the US that originates in China without first speaking to a US Customs Broker in order to determine whether the product will later be eligible for entry into the United States.



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Section X
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X. Appendices

- A. Pro-Forma Invoice
- B. North American Free Trade Certificate of Origin
- C. North American Free Trade Certificate of Origin Instructions
- D. New Entrant Application (2002) for Tariff Preference Level (TPL) Quota for Export of Non-Originating Apparel and Made-Up Goods to the United States
- E. New Entrant Supplement Application for Company File Number
- F. Notice Form for Authorizing Brokers to make Transfers on behalf of Quota Holders (Annex I)
- G. Notice Form for Authorizing Brokers to Query Detailed Information on Accounts on behalf of Quota Holders (Annex II)
- H. TPL Application Form

A. Pro-Forma Invoice

Exporter (Name and Address) Tax Identification		<div style="text-align: center;">  PRO-FORMA INVOICE Reference# _____ Customs clearance by: _____ </div>								
Ultimate Consignee (Name and Address) Tax Identification		Origin (Province, Country) <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dest. (State, Country)</td> <td>Terms <input type="radio"/> FOB <input type="radio"/> Plant</td> </tr> <tr> <td>Invoice Date</td> <td>Terms (Other than above)</td> </tr> </table>					Dest. (State, Country)	Terms <input type="radio"/> FOB <input type="radio"/> Plant	Invoice Date	Terms (Other than above)
Dest. (State, Country)	Terms <input type="radio"/> FOB <input type="radio"/> Plant									
Invoice Date	Terms (Other than above)									
Buyer, if other than consignee Tax Identification		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Currency</td> <td>Date of Sale</td> </tr> </table> US Duty, MPF and/or Brokerage fees for a/c of; <input type="radio"/> Shipper (included) <input type="radio"/> Buyer <input type="radio"/> Shipper (not included) <input type="radio"/> Consignee					Currency	Date of Sale		
Currency	Date of Sale									
Local carrier		Exporting Carrier		US Port of Entry						
Parties to this transaction are <input type="radio"/> Related <input type="radio"/> Not related		Freight amount, if any, included in prices below:			Select Export Type 9801 Regular					
Declaration by Foreign Shipper (when the goods described below are of US origin & their value exceeds \$1,000.00) I, _____ declare that the articles contained herein specified are to the best of my knowledge and belief, the growth, produce or manufacture of the United States: that they were exported from the United States from the port of _____ on or about _____ and that they are returned without having been advanced in value or improved in condition by any process of manufacture or by any other means. Signature _____ Name _____ Date _____										
Marks and Numbers		Number & kind of pkgs		Gross weight (lbs.)						
Description of goods		HS Number		Quantity	Unit \$	Total Price				
Adjustment: _____		Enter (-) For Negative Amount: _____								
Total invoice (including attachments, if any)										
If the production of these goods involved furnishing goods or services to the seller (e.g. assists such as dies, molds, tools, engineering work) and the value is not included in the invoice price, provide explanation. If no assists, state so. This invoice must specifically state that the applicable duty or fee for Anti Dumping duties, countervailing duties, merchandise processing fees, harbor maintenance fees, pork, beef and honey fees are included in the price.					Above price includes: <input type="checkbox"/> Duty <input type="checkbox"/> Clearance <input type="checkbox"/> Freight					
Estimated Freight Charges to: Point of Exit \$ _____ or Destination \$ _____										
Give name and address if different from Exporter above				Name of responsible employee or exporter (print) Signature and date						

To the best of the knowledge and belief of the preparer this invoice is true and complete and disclosed the true prices, values, quantities, rebates, drawbacks, fees, commissions, royalties and any goods or services provided to the seller either free or at a reduced cost

B. North American Free Trade Agreement Certificate of Origin



ExportExpert 2001 Milgram & Company Ltd.

C. North American Free Trade Agreement Certificate of Origin Instructions



NORTH AMERICAN FREE TRADE AGREEMENT

Certificate of Origin Instructions

For purposes of obtaining preferential tariff treatment, this document must be completed legibly and in full by the exporter and be in the possession of the importer at the time the declaration is made. This document may also be completed voluntarily by the producer for use by the exporter. Please print or type.

- Field 1:** State the full legal name, address (including country) and legal tax identification number of the exporter. Legal tax identification number is: in Canada, employer number or importer/exporter number assigned by Revenue Canada; in Mexico, federal taxpayer's registry number (RFC); and in the United States, employer's identification number or Social Security Number.
- Field 2:** Complete field if the Certificate covers multiple shipments of identical goods as described in Field 5 that are imported into NAFTA country for a specified period of up to one year (blanket period). FROM is the date upon which the Certificate becomes applicable to the good covered by the blanket Certificate (it may be prior to the date of signing this Certificate). TO is the date upon which the blanket period expires. The importation of a good for which preferential tariff treatment is claimed based on this certificate must occur between these dates.
- Field 3:** State the full legal name, address (including country) and legal tax identification number of the producer. If more than one producer's good is included on the Certificate, attach a list of the additional producers, including the legal name, address (including country) and legal tax identification number, cross referenced to the good described in Field 5. If you wish this information to be confidential, it is acceptable to state Available to Customs upon request. If the producer and the exporter are the same, complete field with SAME. If the producer is unknown, it is acceptable to state UNKNOWN.
- Field 4:** State the full legal name, address (including country) and legal tax identification number, as defined in Field 1, of the importer. If the importer is unknown, state UNKNOWN; if multiple importers, state VARIOUS.
- Field 5:** Provide a full description of each good. The description should be sufficient to relate it to the invoice description and to the Harmonized System (HS) description of the good. If the Certificate covers a single shipment of a good, include the invoice number as shown on the commercial invoice. If not known, indicate another unique reference number, such as the shipping order number.
- Field 6:** For each good described in Field 5, identify the HS tariff classification to six digits. If the good is subject to a specific rule of origin in Annex 401 that requires eight digits, identify to eight digits, using the HS tariff classification of the country into whose territory the good is imported.
- Field 7:** For each good described in Field 5, state which criterion, (A through F) is applicable. The rules of origin are contained in Chapter Four of Annex 401. Additional rules are described in Annex 703.2 (certain agricultural goods), Annex 300-B, Appendix 6A (certain textile goods) and Annex 308.1 (certain automatic data processing goods and their parts). **NOTE: In order to be entitled to preferential tariff treatment, each good must meet at least one of the criteria below.**

Preference Criteria

- A The good is wholly obtained or produced entirely in the territory of one or more of the NAFTA countries, as referred to in Article 415. **NOTE:** The purchase of a good in the territory does not necessarily render it wholly obtained or produced. If the good is an agricultural good, see also criterion F and Annex 703.2 (*Reference: Article 401(a) and 415*).
- B The good is produced entirely in the territory of one or more of the NAFTA countries and satisfies the specific rule of origin, set out in Annex 401, that applies to its tariff classification. The rule may include a tariff classification change, regional value-content requirement or a combination thereof. The good must also satisfy all other applicable requirements of Chapter Four. If the good is an agricultural good, see also criterion F and Annex 703.2. (*Reference: Article 401(b)*).
- C The good is produced entirely in the territory of one or more of the NAFTA countries exclusively from originating materials. Under this criterion, one or more of the materials may not fall within the definition of wholly produced or obtained, as set out in Article 415. All materials used in the production of the good must qualify as originating by meeting the rules of Article 401(a) through (d). If the good is an agricultural good, see also criterion F and Annex 703.2. (*Reference: Article 401(c)*).
- D Goods are produced in the territory of one or more of the NAFTA countries but do not meet the applicable rule of origin, set out in Annex 401, because certain non-originating materials do not undergo the required change in tariff classification. The good does nonetheless meet the regional value-content requirement specified in Article 401(d). This criterion is limited to the following two circumstances:
1. The good was imported into the territory of one or more NAFTA countries in an unassembled or disassembled form but was classified good, pursuant to HS General Rule of interpretation 2(a); or
 2. The good incorporated one or more non-originating materials, provided for as parts under the HS, which could not undergo a change in tariff classification because the heading provided for both the good and its parts and was not further subdivided into subheadings, or the subheading provided for both the good and its parts and was not further subdivided. **NOTE: This criterion does not apply in Chapters 61 through 63 of the HS** (*Reference: Article 401(d)*).
- E Certain automatic data processing goods and their parts, specified in Annex 308.1, that do not originate in the territory are considered originating upon importation into the territory of a NAFTA country when the Most-Favored-Nation Tariff rate of the good conforms to the rate established in Annex 308.1 and is common to all NAFTA countries. (*Reference: Annex 308.1*).
- F The good is an originating agricultural good under preference criterion A, B or C above and is not subject to a quantitative restriction in the importing NAFTA country because it is a qualifying good as defined in Annex 703.2, Section A or B (please specify). A good listed in Appendix 703.2.B.7 is also exempt from quantitative restrictions and is eligible for NAFTA preferential tariff treatment if it meets the definition of qualifying good in Section A of Annex 703.2. **NOTE 1: This criterion does not apply to goods that wholly originate in Canada or the United States and are imported into either country. NOTE 2: A tariff quota is not a quantitative restriction.**
- Field 8:** For each good described in Field 5, state YES if you are the producer of the good. If you are not the producer of the good, state NO followed by (1), (2), or (3), depending on whether this certificate was based upon: (1) your knowledge of whether the good qualifies as an originating good; (2) your reliance on the producer's written representation (other than a Certificate of Origin) that the good qualifies as an originating good; or (3) a completed and signed Certificate for the good, voluntarily provided to the exporter by the producer.
- Field 9:** For each good described in Field 5, where the good is subject to a regional value content (RVC) requirement, indicate NC if the RVC is calculated according to the net cost method; otherwise, indicate NO. If the RVC is calculated according to the net cost method over a period of time, further identify the beginning and the ending dates (DD/MM/YY) of that period. (*Reference: Articles 402.1, 402.5*).
- Field 10:** Identify the name of the country (MX or US for agricultural and textile goods exported to Canada; US or CA for all goods exported to Mexico; or CA or MX for all goods exported into the United States) to which the preferential rate of customs duty applies, as set out in Annex 302.2, in accordance with the Marking Rules or in each Party's schedule of tariff elimination. For all other originating goods exported to Canada, indicate appropriately MX or US if the goods originate in that country, within the meaning of the NAFTA Rules of Origin Regulations, and any subsequent processing in the other NAFTA country does not increase the transaction value of the goods by more than 7%; otherwise indicate as JNT for joint production. (*Reference: Annex 302.2*).
- Field 11:** This field must be completed, signed and dated by the exporter. When the Certificate is completed by the producer for use by the exporter, it must be completed, signed and dated by the producer. The date must be the date the Certificate was completed and signed.

**D. New Entrant Application (2006) for Tariff Preference Level (TPL) Quota for
Export of Non-Originating Apparel and Made-Up Goods to the United States**

**Export and Import Controls Bureau
Trade Controls Policy Division
Textiles and Clothing Section**

New Entrant Application for Tariff Preference Level (TPL) quota for Export
of Non-Originating Apparel and Made-Up goods to the United States
2006

Applications must be in the format provided below. Applications that are not in this format will be returned to the respondent upon receipt by the Export and Import Controls Bureau of International Trade Canada, and the respondent may be ruled ineligible for consideration for a share of the tariff Preference Levels provided for under the North American Free Trade Agreement (NAFTA)

Company Name: _____ **GST #:** _____

Company Profile

1. If you already have an Export and Import Controls Bureau (EICB) company file number registered with the Bureau, please enter it here: _____

If you do not have an EICB company file number, please fill out the form entitled "APPLICATION FOR AN EICB COMPANY NUMBER" and return it with your completed application form.
2. (a) Is the company **affiliated with or associated with a person of any other company**, as defined in Notice to Exporters No. 123(attached), which is a current apparel TPL quota holder?

Yes ☐ No ☐

(b) If yes, name the company or companies and identify the affiliated or associated person(s):

3. Is the company engaged in the **manufacture** of apparel and made-up goods?

Yes ☐ No ☐
4. Indicate the type of apparel and made-up goods manufactured:

5. State the number of current full time employees, including design, marketing and administrative staff, directly related to the manufacturing of apparel and made-up goods:_____
6. Indicate the percentage of the apparel and made-up goods manufactured in the last 12 months for the:
 - (a) Canadian domestic market _____ %
 - (b) U.S.A. market at the NAFTA free duty rate _____ %
 - (c) U.S.A. market that would qualify under the Tariff Preference Level _____ %
 - (d) U.S.A. market other than (b) and c) above _____ %
 - (e) Other foreign markets _____ %

Company Name: _____ **GST #:** _____

7. Does the company **own** the fabric or the yarn (in the case of knit to shape goods) used in the manufacture of apparel and made-up goods?

Yes ☐ **No** ☐

8. Is the company engaged in the design of apparel and made-up goods?

Yes ☐ **No** ☐

9. Is the company engaged in the marketing of apparel and made-up goods?

Yes ☐ **No** ☐

10. Identify whether the company **owns or leases** the equipment and premises in which the apparel and made-up goods are manufactured:

(a) Owns premises ☐ Lease premises ☐ Neither own nor lease premises ☐
(b) Own equipment ☐ Lease equipment ☐ Neither own nor lease equipment ☐

11. Indicate the percentage of cutting and sewing the company performs directly or contracts out:

(a) Performs directly: Cutting _____% Sewing _____%
(b) Contracts out: Cutting _____% Sewing _____%

Tariff Preference Level Section

12. There are three TPL pools available for apparel and made-up goods that are both cut and sewn or knit to shape, or otherwise assembled in Canada from fabric or yarn produced or obtained outside the NAFTA countries (Canada, United states and Mexico):

- (a) wool apparel and made-up goods (commonly referred to as "wool apparel pool");
(b) non-wool (cotton or man-made fibres) apparel and made-up goods made from fabric that is woven or knit in a non-NAFTA country (commonly referred to as the "fabric apparel pool");
(c) non-wool (cotton or man-made fibres) apparel and made-up goods of woven or knit fabric made in NAFTA countries from non-NAFTA yarn; or non-wool apparel and made-up goods knit to shape from non-NAFTA yarn (commonly referred to as the "yarn apparel pool")

Specify which TPL pool(s) the Company is applying for: (a) ☐ (b) ☐ (c) ☐

I declare that the above information and any supplementary information attached are correct.
Name of Company in full (please print): _____

Name of Respondent (please print): _____

Title: _____ Signature: _____

Date: _____

Note: The information provided will be held in confidence and used for Departmental purposes only.

Please return completed form(s) to Doug Bird at fax (613) 995-5137

E. New Entrant Supplement Application for Company File Number

APPLICATION FOR AN EICB COMPANY NUMBER / DEMANDE D'UN NUMÉRO DE DOSSIER DE LA DGCEI

To: Department of Foreign Affairs
and International Trade
Export and Import Controls Bureau (E.I.C.B.)

From / De: Name of Firm / Nom de l'entreprise:

A: Ministère des Affaires étrangères et du
Commerce international
Direction générale des contrôles à
l'exportation et à l'importation

Name of contact / Nom du contact:

FAX NO. / NO DE FAX (613) 992-9397

**Fax no. /
no. de fax:**

Please complete the following questionnaire when requesting company file number and fax to E.I.C.B at the above fax number or return by mail at the address indicated hereunder. The name of the importer of record appearing on the customs documentation and the name under which the GST/Business Number was issued must match the information provided hereunder.

Veuillez répondre aux questions suivantes pour obtenir un numéro de dossier et renvoyer la présente à la Direction générale des contrôles à l'exportation et à l'importation, par fax, au numéro susmentionné ou, par la poste, à l'adresse indiquée ci-dessous. Le nom de l'importateur attesté figurant sur les documents des Douanes et le nom de l'entreprise, à qui un numéro TPS/d'entreprise a été attribué, doivent être les mêmes que celui figurant ci-dessous.

Please Print/Veuillez écrire en lettres moulées:

1. Name of Company in full:
Nom complet de l'entreprise:

2. Address / Adresse:

3. Postal/Zip Code / Code postal:

4. Name of Contact / Nom du contact:

5. Telephone No. / No de téléphone:

6. Fax No. / No. de fax:

7. (GST) Business Number:
Numéro de (TPS) d'entreprise:

Note: When no fax number is available please indicate N/A - (Not applicable)

Note: S'il n'y a pas de numéro de fax, veuillez indiquer S/O - (Sans objet)

Mailing address:

Administration and Technology Services Division (EPC)
Export and Import Controls Bureau
Foreign Affairs and International Trade Canada
125 Sussex Drive, Tower C, 4th Floor
Ottawa, Ontario
K1A 0G2

Adresse postale:

Direction des services d'administration et de technologie (EPC)
Direction générale des contrôles à l'exportation et à l'importation
Ministère des Affaires étrangères et du Commerce International
125 promenade Sussex, Tour C, 4^e étage
Ottawa, Ontario
K1A 0G2

**F. Notice Form for Authorizing Brokers to make
Transfers on behalf of Quota Holders (Annex I)**

ANNEX I

NOTICE FORM FOR AUTHORIZING BROKERS TO MAKE TRANSFERS ON BEHALF OF QUOTA HOLDERS

**Notice of Authorization of Canadian Customs Brokers to Transfer Apparel Tariff Preference Level;
and, Authorization to Release EICB's Apparel Tariff Preference Level Transaction Confirmations
and Transaction Numbers to Canadian Customs Brokers**

1. I, the undersigned, am authorized by the Minister of Foreign Affairs (the Minister) to hold apparel tariff preference level, or I am duly authorized signing officer for a party so authorized, for obtaining apparel certificates of eligibility, issued pursuant to the *Export and Import Permits Act*,

2. I acknowledge that a tariff preference level is an administrative means by which the Minister indicates in advance how he may exercise discretion under section 9.1(a) of the *Export and Import Permits Act*, and that there is no right to obtain a certificate of eligibility;

3. **Take notice** that the Canadian Customs Brokers listed below are authorized to transfer quantities out of my apparel tariff preference level account, to the credit of exporters who have export file numbers issued by the Export and Import Controls Bureau (EICB) within the Department of Foreign Affairs and International Trade; I understand that any amendment to this list must be made in writing:

<u>Broker's EICB Outpost Number</u>	<u>Broker Name</u>	<u>Address</u>	<u>Telephone No.</u>
---	--------------------	----------------	----------------------

a. _____

b. _____

4. **I authorize** the Minister and EICB officials to release to Customs Brokers listed in paragraph 3, confirmations of apparel tariff preference level transfer transactions referred to in paragraph 3, and transfer transaction numbers.

Company Name: _____

EICB Number: _____

Name (print) and Title: _____

Signature: _____

Date: _____

Mail of fax to: Textiles and Clothing Section,
Trade Controls Policy Division (EPM)
Export and Import Controls Bureau,
Department of Foreign Affairs and International Trade
P.O. Box 481, Station A,
Ottawa, Ontario K1N 9K6
Facsimile: (613) 995-5137

**G. Notice Form for Authorizing Brokers to Query Detailed
Information on Accounts on behalf of Quota Holders (Annex II)**

ANNEX II

NOTICE FORM FOR AUTHORIZING BROKERS TO QUERY DETAILED INFORMATION ON ACCOUNTS ON BEHALF OF QUOTA HOLDERS

Authorization to Release EICB's Apparel Tariff Preference Level Account Information to Canadian Customs Brokers

1. I, the undersigned, am authorized by the Minister of Foreign Affairs (the Minister) to hold apparel tariff preference level, or I am duly authorized signing officer for a party so authorized, for obtaining apparel certificates of eligibility, issued pursuant to the *Export and Import Permits Act*,

2. I acknowledge that a tariff preference level is an administrative means by which the Minister indicates in advance how he may exercise discretion under section 9.1(a) of the *Export and Import Permits Act*, and that there is no right to obtain a certificate of eligibility;

3. **I authorize** the Minister and officials in the Export and Import Controls Bureau (EICB) in the Department of Foreign Affairs and International Trade to release, to Customs Brokers listed below, all information respecting my apparel tariff preference level account, including all elements of line-by-line transactions and balances relating to certificate applications, transfers, quantities and other pertinent transactions; I understand that any amendment to this list must be made in writing:

<u>Broker's EICB Outpost Number</u>	<u>Broker Name</u>	<u>Address</u>	<u>Telephone No.</u>
---	--------------------	----------------	----------------------

a. _____

b. _____

Company Name: _____

EICB Number: _____

Name (print) and Title: _____

Signature: _____

Date: _____

Mail of fax to: Textiles and Clothing Section,
Trade Controls Policy Division (EPM)
Export and Import Controls Bureau,
Department of Foreign Affairs and International Trade
P.O. Box 481, Station A,
Ottawa, Ontario K1N 9K6
Facsimile: (613) 995-5137

H. TPL Application Form



Application for Permit

Permit Type Import <input type="radio"/> Export <input type="radio"/>		Transaction No. 13391-		Date		Permit No.	
Company File No.		Business Number		Application I.D.		Officer Identification	
Name of Importer-Exporter				Canadian Resident Yes <input type="radio"/> No <input type="radio"/>		Send Permit to Company <input type="radio"/> Applicant <input type="radio"/>	
Name and address of Supplier/Consignee			Applicant				
						Language English <input type="radio"/> French <input type="radio"/>	
Country of Origin		Imported From		Reference		Submitting Outpost	
Exported to		Country of Origin-Raw Material FIB- YRN- FAB-				Effective Date	
NAFTA Processing TPL-Tariff Preference Level <input type="checkbox"/> SS-Short Supply <input type="checkbox"/> DM-De Minimis <input type="checkbox"/> DB-50% Debit <input type="checkbox"/>						Expiry Date	
Canadian port of Entry		Multiple Load Shipment <input type="checkbox"/>		Date of Shipment		Date of Entry	
Documentation Attached Yes <input type="radio"/> No <input type="radio"/>		Permit to Be Mailed <input type="checkbox"/> Held for Pick-Up <input type="checkbox"/> By Courier Collect <input type="checkbox"/> Other <input type="checkbox"/>				Manually Issued Yes <input type="radio"/> No <input type="radio"/>	
Agre't No.	Commodity Code	Description	Permit Quantity	Unit	Value (C\$)	Doc. Quantity	
Permit to be Issued at		Document Number				Document Date	

Other Terms And Conditions (Instructions):