

Certificate of Origin Under NAFTA

The Certificate of Origin (CO) is required by some countries for all or only certain products. In many cases, a statement of origin printed on company letterhead will suffice. The exporter should verify whether a CO is required with the buyer and/or an experienced shipper/freight forwarder or the Trade Information center.

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When Should A North American Free Trade Agreement (NAFTA) Certificate Of Origin Be Completed?



A NAFTA Certificate of Origin should only be completed for products exported to Canada or Mexico that meet the NAFTA rules of origin of production in the NAFTA countries. Inclusion of products that do not qualify is illegal and subject to fines and penalties. Elimination of Canadian and Mexican duties assessed on U.S. products is one of the major ways that NAFTA assists U.S. companies. To ensure that the benefits of tariff removal

accrue to NAFTA products, and not to Non-NAFTA products, NAFTA includes tough rules of origin. Only products that meet the NAFTA rules of origin are eligible for the preferential duty rates. Under NAFTA, products that qualify under the rules of origin will have zero duties when traded between the U.S. and Canada, and will have low or zero tariffs when traded between the U.S. and Mexico. An importer must submit to customs a NAFTA Certificate of Origin completed by the exporter in order to be eligible for preferential tariff rates. By filling out a NAFTA Certificate of Origin, a shipper is certifying that the covered goods meet the rules of origin, and therefore, qualify for preferential rates. If the product does not qualify for NAFTA tariff preferences, the Certificate must not be completed, as the product is then usually subject to the Most Favored Nation (MFN) tariff rate, rather than the NAFTA rate.

Is a NAFTA Certificate Of Origin required for shipments to Canada And Mexico?

A NAFTA Certificate of Origin is not required for shipments to Mexico or Canada. The exporter should only prepare a NAFTA Certificate if the product qualifies for preferential tariff treatment under the NAFTA rules of origin. A NAFTA Certificate of Origin is not required for the commercial importation of a good valued at less than US\$1,000. However, for goods to qualify for NAFTA preferential duties, the invoice accompanying the commercial importation must include a statement certifying that they qualify as originating goods under the NAFTA rules of origin. The statement should be handwritten, stamped, typed on or attached to the commercial invoice.

When and how do I submit a NAFTA Certificate of Origin?

Once an exporter determines that the exported good will meet the NAFTA rules of origin, a NAFTA Certificate of Origin must be completed accurately and legibly. The exporter must then send the Certificate to the importer. While the Certificate does not have to accompany the shipment, the importer must have a copy of the Certificate in hand before claiming the NAFTA tariff preference at customs. Certificates of Origin may, at the discretion of the exporter, cover a single importation of goods or multiple importations of identical goods. In some cases, an exporter may not have the NAFTA Certificate of Origin ready at the time of export; however, the importer still has up to one year after the goods go through customs to make a claim for the NAFTA tariff preference and to apply for a refund of duties paid at the time of entry.

Who is responsible for determining if the product qualifies under NAFTA and for completing the certificate?

The Certificate of Origin must be completed and signed by the exporter of the goods. Where the exporter is not the producer, the exporter may complete the Certificate on the basis of: knowledge that the good originates; reasonable reliance on the producer's written representation that the good originates; or, a completed and signed Certificate of Origin for the good voluntarily provided to the exporter by the producer. Exporters who are not producers often request that their producers or distributors provide them with a NAFTA Certificate of Origin as proof that the final good, or an input used in the manufacture of the final good, sold to Mexico or Canada meets the

rules of origin. NAFTA does not obligate a producer who is not an exporter to provide the ultimate exporter with a NAFTA Certificate of Origin. However, if the non-exporting producer does complete the NAFTA Certificate of Origin, they are subject to the same obligations regarding record keeping, etc., as is the exporter. Even so, it is the exporter's Certificate, and not the non-exporting producer's Certificate, that must be provided to the importer. The producer's statement should be kept in the files of the exporter as backup for their own Certificate. A distributor does not complete a Certificate of Origin for qualifying goods unless the distributor is the exporter.

What is the process for determining if a product qualifies for the NAFTA preferential tariff and for completing the certificate?

Completion of a NAFTA Certificate of Origin is an affirmation that the party signing the document has researched the terms of the NAFTA Agreement and has determined that the goods covered by the Certificate of Origin are "originating goods" as defined by the Agreement. Preparation of a NAFTA Certificate of Origin imposes certain legal rights, obligations and liabilities on the party signing the document and should be based on a careful inquiry into the terms of the text of the NAFTA Agreement and other relevant United States regulations. A product does not automatically qualify for NAFTA tariff treatment just because the product was manufactured in the United States or purchased from a U.S. company. The product must meet the specific NAFTA rule of origin and the exporter must complete the NAFTA Certificate of Origin before the importer can claim the NAFTA tariff rate.

Follow these steps to determine if a product qualifies:

- **Step 1.** Determine the Harmonized System Number for the product being exported and its foreign part, components, and raw materials.

The NAFTA rules of origin are organized under the Harmonized System (HS). HS numbers are standardized classification numbers assigned to identify a specific type of product in international trade. Customs authorities use HS numbers to apply duties and taxes. These numbers are typically six to ten digits long. The first six digits are standardized worldwide, while some governments, to further distinguish products in a certain category, use additional numbers. In the United States, ten digit classification numbers are also called Schedule B numbers. To obtain tariff information, the HS number up to the 6-digit level is required.

The [U.S. Census Bureau's Foreign Trade Division website](#)² can be used to obtain HS numbers. If you have trouble classifying your product and need assistance, call the Census Bureau at 301-763-3047. In addition, the Schedule B: Statistical Classification of Domestic and Foreign Commodities Exported from the United States can be ordered from the Government Printing Office by calling 202-512-1800. The stock number is 903-009-00000-4, and the cost of the book is \$121. The CD-ROM version can also be purchased from the Census Bureau for \$20 by calling 301-457-1086.

- **Step 2.** Determine the Canadian/Mexican MFN tariff for the product. If the MFN rate is zero, no NAFTA Certificate is needed. Tariff information is available from a number of sources, including your customs broker, freight forwarder, the customs authorities of Canada and Mexico. You can also call the TIC at 1-800-USA-TRAD(E) for tariff rates.
- **Step 3.** If the MFN rate is not zero, use the HS number to find the applicable rule of origin in Annex 401: General Note 12(t), and then determine if the product qualifies for a NAFTA tariff rate. When products meet the rules of origin, and therefore, qualify for NAFTA tariff benefits, they are said to "originate". Article 401 of the NAFTA Agreement determines which goods originate and precludes goods from other countries from obtaining those benefits by merely passing through Canada, Mexico or the United States. Chapter 4 of the NAFTA Agreement sets out most of the principles governing origin determination. The NAFTA Rules of Origin (Annex 401: [General Note 12³\(t\)](#)) are located on the [Customs website](#)⁴. Exporters must carefully research the terms of the Agreement to determine whether their goods are entitled to NAFTA benefits. They should not assume that the goods are entitled to NAFTA benefits merely because they were made in a NAFTA country. For assistance call the TIC at 1-800-USA-TRAD(E) for non-agricultural products.
- **Step 4.** If the product does not meet the specific Rule of Origin it does not qualify for preferential tariff treatment and the Certificate of Origin should not be completed. If it meets the Rule of Origin, complete a NAFTA Certificate of Origin. For additional assistance call the TIC at **1-800-USA-TRADE**.

How long should copies of the Certificate Of Origin be retained?

In the United States, the exporter is required to retain either the original or a copy of the Certificate for five years from the date of signature. The importer is required to retain the Certificate and all other relevant documentation for five years after the importation of the goods. Adequate records relating to the goods, and their materials and production must support the facts asserted in the Certificate. Mexican exporters must maintain a copy of the Certificate for 10 years. Canadian importers and exporters are required to keep the Certificate for six years from the time of the transaction for the importer and six years from the date of signing for the Canadian exporter.

What language should be used to complete The NAFTA Certificate Of Origin?

A uniform Certificate of Origin is used in all three countries and is printed in English, French or Spanish. The Certificate shall be completed in the language of the country of export or the language of the importing country, at the exporter's discretion. Importers must submit a translation of the Certificate to their own customs administration when requested

Links

1. <http://exportassistance.com/documents-forms/export-documentation-templates?gid=40>
 2. <http://www.census.gov/foreign-trade/schedules/b>
 3. <http://www.customs.gov/nafta/docs/us/gn12t1-29.html>
 4. <http://www.cbp.gov/nafta/docs/us/chap04.html>
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