



Ottawa, May 8, 2009

MEMORANDUM D11-4-3

In Brief

RULES OF ORIGIN RESPECTING THE MOST-FAVOURED-NATION TARIFF

1. The attached memorandum has been revised to reflect changes to the *Customs Tariff* as per Order in Council P.C. 2009-129, SOR/2009-24, entitled Order Amending the Schedule to the *Customs Tariff* (extension of Most-Favoured-Nation Tariff to Libya) effective January 29, 2009. Libya has been removed as a General Tariff country from paragraph 2, “Guidelines and General Information” section.
2. This Memorandum has also been revised to update the contact information within the “Additional Information” section.



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RULES OF ORIGIN RESPECTING THE MOST-FAVOURLED-NATION TARIFF

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

Regulations

Most-Favoured-Nation Tariff Rules of Origin Regulations

Origin of Goods

1. Goods originate in a country that is a beneficiary of the Most-Favoured-Nation Tariff if:
 - (a) not less than 50 per cent of the cost of production of the goods is incurred by the industry of one or more countries that are beneficiaries of the Most-Favoured-Nation Tariff, or by the industry of Canada; and
 - (b) the goods were finished in a country that is a beneficiary of the Most-Favoured-Nation Tariff in the form in which they are imported into Canada.
2. In calculating the cost of production for the purposes of paragraph 1(a), the following shall not be included:
 - (a) the cost of outside packing and expenses related to outside packing, required for the transportation of the goods, not including packing in which the goods are ordinarily sold for consumption;
 - (b) gross profit of the manufacturer or exporter and the profit or remuneration of any trader, broker or other person dealing in the goods in their finished manufactured condition;
 - (c) royalties;
 - (d) customs or excise duty or tax paid or payable on imported materials;
 - (e) carriage, insurance and other charges from the place of production or manufacture in the country of origin to the port of shipment; and
 - (f) any other costs or charges incurred or to be incurred subsequent to the completion of the manufacture of the goods.

Direct Shipment

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

GUIDELINES AND GENERAL INFORMATION

General

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

Rules of Origin

3. To qualify for the MFN tariff treatment, at least 50% of the cost of production of the goods must be incurred in one or more MFN beneficiary countries or Canada. Canadian content may be included as MFN originating in the calculation of the 50% requirement.
4. Cost of production may include:
 - (a) materials (exclusive of duties and taxes);
 - (b) labour; and
 - (c) factory overhead.
5. The goods must be finished in a MFN beneficiary country in the form in which they were imported into Canada.

Proof of Origin

6. Proof of origin for MFN tariff treatment must be presented in the form of:
 - (a) a commercial invoice or Canada Customs Invoice, prepared by the vendor indicating the country of origin of the goods, or
 - (b) any other documentation indicating the country of origin of the goods, as outlined in Memorandum D11-4-2, *Proof of Origin*.
7. Proof of origin must be presented at the times set out Section 13 of in the *Proof of Origin of Imported Goods Regulations* as found in D11-4-2.

Shipping Requirements

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

9. Transshipment through any intermediate country is allowed provided:

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

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

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

Additional Information

10. For more information, contact the CBSA's Border Information Service at **1-800-461-9999** for service in English or **1-800-959-2036** for service in French.

REFERENCES

<p>ISSUING OFFICE –</p> <p>Origin and Valuation Division Trade Programs Directorate Admissibility Branch</p>	<p>HEADQUARTERS FILE –</p> <p>4570-3, 4570-10</p>
<p>LEGISLATIVE REFERENCES –</p> <p><i>Customs Tariff</i> P.C. 1997-2004, December 29, 1997 P.C. 2001-374, March 15, 2001 P.C. 2009-129, January 29, 2009</p>	<p>OTHER REFERENCES –</p> <p>D11-4-2</p>
<p>SUPERSEDED MEMORANDA “D” –</p> <p>D11-4-3, February 17, 2005</p>	

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

