

CERTIFICATE OF ORIGIN

It is essential for U.S. exporters to correctly fill out the Certificate of Origin. Mistakes, whether intentional or not, are subject to a penalty of \$10,000 for every entry used by a Canadian importer to clear a shipment. Field 7 gives exporters the most trouble. Rule 5A states:

“Wholly produced or obtained in Canada or the United States.”

- No offshore components exist in the finished product/article.

Do not assume that your product is “wholly produced” just because it was assembled in your plant. Rule 5B1 or 5B2 applies to most U.S. exporters, and Canada Customs requires that the applicable Section and Rule number of Annex 301.2 also be indicated in Field 7. Rule 5B1 states:

“The goods have been sufficiently transformed in the United States or Canada.”

- Offshore components have been transformed or sufficiently processed in the U.S. or Canada as represented by changes in HS and in accordance with the specific rules set out in Annex 301.2.

You will simply declare that some of the components in your product calls for an HS change of tariff transformation. These rules can be found in the HTS, General note 12T.

Rule 5B2 states that products must be at least 50 percent originating to qualify under the Free Trade Agreement.

“It requires that the value of territorial materials plus the direct cost of processing or assembly in the territory constitute not less than 50 percent of the value of the exported goods as specified in the Annex.”

The key to the Certificate of Origin is that you must have the coding right and include the rule that’s in the act in Field 7.

Furthermore, if you export products to Canada on a regular basis, you do not have to fill out a Certificate of Origin for each shipment. You can use a blanket certificate that is good for a whole year. Your broker will keep the certificate on file so that it can be produced if requested by Canada Customs.