



Overview

This provision covers expenses that may be deducted from the value of non-originating materials. This fact sheet highlights significant changes in the new United States-Mexico-Canada Agreement (USMCA) from the former North American Free Trade Agreement (NAFTA).

References

- **USMCA**
 - *Final Text*: Chapter 4, Article 4.7
 - *HR 5430 Citation*: Title II, Section 202
- **NAFTA**
 - *Final Text*: Chapter 4, Rules of Origin, Regional Value Content, Article 402(9)

Significant Changes in USMCA

Provision	USMCA	NAFTA
Adjustments to the Value of Materials	New to USMCA <ul style="list-style-type: none"> • USMCA introduces new adjustments to the value of materials where certain expenses pertaining to the value of non-originating material or material of undetermined origin may be deducted from the value of the material. 	

Detailed USMCA/NAFTA Side-by-Side

Provision	USMCA	NAFTA
Adjustments to the Value of Materials	<ul style="list-style-type: none"> • Each Party shall provide that for a non-originating material or material of undetermined origin, the following expenses may be deducted from the value of the material: <ul style="list-style-type: none"> (a) the costs of freight, insurance, packing, and all other costs incurred in transporting the material to the location of the producer of the good; (b) duties, taxes, and customs brokerage fees on the material paid in the territory of one or more of the Parties, other than duties and taxes that are waived, refunded, refundable, or otherwise recoverable, which include credit against duty or tax paid or payable; and (c) the cost of waste and spoilage resulting from the use of the material in the production of the good, less the value of reusable scrap or byproduct. <p><i>(Reference: Article 4.7)</i></p>	<ul style="list-style-type: none"> • The value of a material used in the production of a good shall: <ul style="list-style-type: none"> (a) be the transaction value of the material determined in accordance with Article 1 of the Customs Valuation Code; or (b) in the event that there is no transaction value or the transaction value of the material is unacceptable under Article 1 of the Customs Valuation Code, be determined in accordance with Articles 2 through 7 of the Customs Valuation Code; and (c) where not included under subparagraph (a) or (b), include: <ul style="list-style-type: none"> (i) freight, insurance, packing and all other costs incurred in transporting the material to the location of the producer, (ii) duties, taxes and customs brokerage fees on the material paid in the territory of one or more of the Parties, and

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		<p>(iii) the cost of waste and spoilage resulting from the use of the material in the production of the good, less the value of renewable scrap or byproduct.</p> <p><i>(Reference: Article 402)</i></p>