§ 303.4 Determination of territorial distribution.

(a) Procedure for determination. The Secretaries shall determine the territorial shares concurrently with their determination of the total annual duty exemption, and in the same manner (see § 303.3, above).

(b) Standards for determination—(1) Limitations. A territorial share may not be reduced by more than 500,000 units in any calendar year. No territorial share shall be less than 500,000 units.

(2) Criteria for setting precise quantities. The Secretaries shall determine the precise quantities after considering, inter alia, the territorial capacity to produce and ship watch units. The Secretaries shall further bear in mind the aggregate benefits to the territories, such as creditable wages paid, creditable wages per unit exported, and corporate income tax payments.

(3) Limitations on reduction of share. The Secretaries shall not reduce a territory's share if its producers use 85% or more of the quantity distributed to that territory in the immediately preceding year, except in the case of a
§ 303.5 Application for annual allocations of duty-exemptions and duty-refunds.

(a) Application forms (ITA-334P) shall be furnished to producers by January 1, and must be completed and returned to the Director no later than January 31, of each calendar year.

(b) All data supplied are subject to verification by the Secretaries and no allocation or duty-refund certificate shall be made to producer until the Secretaries are satisfied that the data are accurate. To verify the data, representatives of the Secretaries shall have access to relevant company records including:

1. Work sheets used to answer all questions on the application form;
2. Original records from which such data are derived;
3. Records pertaining to ownership and control of the company and to the satisfaction of eligibility requirements for duty-free treatment of its product by the Bureau of Customs and Border Protection;
4. Records pertaining to corporate income taxes, gross receipts taxes and excise taxes paid by each producer in the territories on the basis of which a portion of each producer’s annual allocation is or may be predicated;
5. Customs, bank, payroll, including time cards, production records, and all shipping records including the importer of record number and proof of residency, as requested;
6. Records on purchases of components, including documentation on the purchase of any preassembled movements, which demonstrate that such movements could not have been purchased from the vendor in an unassembled condition, and records on the sales of insular watches and movements, including proof of payment; and
7. Any other records in the possession of the parent or affiliated companies outside the territory pertaining to any aspect of the producer’s watch assembly operation.

(b) All records pertaining to health insurance, life insurance and pension benefits for each employee; and

(c) If HTSUS tariffs on watches and watch movements are reduced, records of the annual aggregate data by individual HTSUS watch tariff numbers for the following components contained therein would be required: the quantity and value of watch cases; the quantity of movements; the quantity and value of each type of strap, bracelet or band; and the quantity and value of batteries shipped free of duty into the United States. In addition, if applicable, records of the annual aggregate quantity of discrete watch movements shipped free of duty into the United States by HTSUS tariff number.

(c) Data verification shall be performed in the territories, unless other arrangements satisfactory to the Departments are made in advance, by the Secretaries’ representatives by the end of February of each calendar year. It is the responsibility of each program producer to make the appropriate data available to the Departments’ officials for the calendar year for which the annual verification is being performed and no further data, from the calendar year for which the audit is being completed, will be considered for benefits at any time after the audit has been completed. In the event of discrepancies between the application and substantiating data before the audit is complete, the Secretaries shall determine which data will be used in the calculation of the duty refund and allocations.

(d) Records subject to the requirements of paragraph (b), above, shall be