

## § 10.540

The United States importer of good C decides to use the build-down method,  $RVC = ((AV - VNM) / AV) \times 100$  (see § 10.535(b) of this subpart), in determining whether good C satisfies the regional value content requirement. In applying this method, the non-originating blister packages are taken into account as non-originating. As such, their \$10 adjusted value is included in the VNM, value of non-originating materials, of good C.

*Example 2.* Same facts as in Example 1, but the blister packages are originating. In this case, the adjusted value of the originating blister packages would not be included as part of the VNM of good C under the build-down method. However, if the U.S. importer had used the build-up method,  $RVC = (VOM / AV) \times 100$  (see § 10.535(c) of this subpart), the adjusted value of the blister packaging would be included as part of the VOM, value of originating material.

### § 10.540 Packing materials and containers for shipment.

(a) Packing materials and containers for shipment, as defined in § 10.530(j) of this subpart, are to be disregarded in determining whether the non-originating materials used in the production of the good undergo an applicable change in tariff classification set out in General Note 25(o), HTSUS. Accordingly, such materials and containers are not required to undergo the applicable change in tariff classification even if they are non-originating.

(b) Packing materials and containers for shipment, as defined in § 10.530(j) of this subpart, are to be disregarded in determining the regional value content of a good imported into the United States. Accordingly, in applying either the build-down or build-up method for determining the regional value content of the good imported into the United States, the value of such packing materials and containers for shipment (whether originating or non-originating) is disregarded and not included in AV, adjusted value, VNM, value of non-originating materials, or VOM, value of originating materials.

*Example.* Singaporean Producer A produces good C. Producer A ships good C to the U.S. in a shipping container which it purchased from Company B in Singapore. The shipping container is originating. The value of the shipping container determined under section § 10.536(a)(2) of this subpart is \$3. Good C is subject to a regional value content requirement. The transaction value of good C is \$100, which includes the \$3 shipping con-

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tainer. The United States importer decides to use the build-up method,  $RVC = (VOM / AV) \times 100$  (see § 10.535(c) of this subpart), in determining whether good C satisfies the regional value content requirement. In determining the AV, adjusted value, of good C imported into the U.S., paragraph (b) of this section requires a \$3 deduction for the value of the shipping container. Therefore, the AV is \$97 (\$100 – \$3). In addition, the value of the shipping container is disregarded and not included in the VOM, value of originating materials.

### § 10.541 Indirect materials.

An indirect material, as defined in § 10.502(j) of this subpart, will be considered to be an originating material without regard to where it is produced, and its value will be the cost registered in the accounting records of the producer of the good.

*Example.* Singaporean Producer C produces good C using non-originating material A. Producer C imports non-originating rubber gloves for use by workers in the production of good C. Good C is subject to a tariff shift requirement. As provided in § 10.531(b)(1) of this subpart and General Note 25(o), each of the non-originating materials in good C must undergo the specified change in tariff classification in order for good C to be considered originating. Although non-originating material A must undergo the applicable tariff shift in order for good C to be considered originating, the rubber gloves do not because they are indirect materials and are considered originating without regard to where they are produced.

### § 10.542 Third country transportation.

(a) *General.* A good will not be considered an originating good by reason of having undergone production that would enable the good to qualify as an originating good if subsequent to that production the good undergoes further production or any other operation outside the territories of the Parties, other than unloading, reloading, or any other process necessary to preserve the good in good condition or to transport the good to the territory of a Party.

(b) *Documentary evidence.* An importer making a claim that a good is originating may be required to demonstrate, to CBP's satisfaction, that no further production or subsequent operation, other than permitted under paragraph (a) of this section, occurred outside the territories of the Parties.

An importer may demonstrate compliance with this section by submitting documentary evidence. Such evidence may include, but is not limited to, bills of lading, airway bills, packing lists, commercial invoices, receiving and inventory records, and customs entry and exit documents.

**§ 10.543 Certain apparel goods made from fabric or yarn not available in commercial quantities.**

Notwithstanding the provisions of § 10.531 of this subpart, a textile apparel article of Chapter 61 or 62, HTSUS, will be considered an originating good under the SFTA if it is both cut (or knit to shape) and sewn or otherwise assembled in one or both of the Parties from fabric or yarn, regardless of origin, designated by the Committee for the Implementation of Textile Agreements ("CITA") as not available in commercial quantities in a timely manner in the United States. Such designations by CITA, identifying apparel goods made from such fabric or yarn as eligible for entry under subheading 9819.11.24 or 9820.11.27, HTSUS, must have been made by notices published in the FEDERAL REGISTER no later than November 15, 2002.<sup>1</sup> For purposes of this section, any reference in these notices to fabric or yarn formed in the United States will be interpreted as also including fabric or yarn formed in Singapore.

ORIGIN VERIFICATIONS AND  
DETERMINATIONS

**§ 10.550 Verification and justification of claim for preferential treatment.**

(a) *Verification.* A claim for preferential treatment made under § 10.510(a) of this subpart, including any statements or other information submitted to CBP in support of the claim, will be subject to such verification as the port director deems necessary. In the event that the port director is provided with insufficient information to verify or substantiate the claim, the

port director may deny the claim for preferential treatment. A verification of a claim for preferential tariff treatment may be conducted by means of one or more of the following:

- (1) Requests for information from the importer;
- (2) Written requests for information to the exporter or producer;
- (3) Requests for the importer to arrange for the exporter or producer to provide information directly to CBP;
- (4) Visits to the premises of the exporter or producer in Singapore, in accordance with procedures that the Parties adopt pertaining to verification; and
- (5) Such other procedures as the Parties may agree.

(b) *Applicable accounting principles.* When conducting a verification of origin to which Generally Accepted Accounting Principles may be relevant, CBP will apply and accept the Generally Accepted Accounting Principles applicable in the country of production.

**§ 10.551 Issuance of negative origin determinations.**

If, as a result of an origin verification initiated under § 10.550 of this subpart, CBP denies a claim for preferential treatment made under § 10.510(a) of this subpart, it will issue a determination in writing or via an authorized electronic data interchange system to the importer that sets forth the following:

- (a) A description of the good that was the subject of the verification together with the identifying numbers and dates of the import documents pertaining to the good;
- (b) A statement setting forth the findings of fact made in connection with the verification and upon which the determination is based; and
- (c) With specific reference to the rules applicable to originating goods as set forth in General Note 25, HTSUS, and in §§ 10.530 through 10.543 of this subpart, the legal basis for the determination.

<sup>1</sup>These designations are set forth in notices published in the FEDERAL REGISTER on September 25, 2001 (66 FR 49005), November 19, 2001 (66 FR 57942), April 10, 2002 (67 FR 17412), May 28, 2002 (67 FR 36858), and September 5, 2002 (67 FR 56806).