§ 10.1014 Originating goods.

Except as otherwise provided in this subpart and General Note 33(n), HTSUS, a good imported into the customs territory of the United States will be considered an originating good under the UKFTA only if:

(a) The good is wholly obtained or produced entirely in the territory of one or both of the Parties;

(b) The good is produced entirely in the territory of one or both of the Parties and:

(1) Each non-originating material used in the production of the good undergoes an applicable change in tariff classification specified in General Note 33(o), HTSUS, and the good satisfies all other applicable requirements of General Note 33, HTSUS; or
(2) The good otherwise satisfies any applicable regional value content or other requirements specified in General Note 33(o), HTSUS, and satisfies all other applicable requirements of General Note 33, HTSUS; or

(c) The good is produced entirely in the territory of one or both of the Parties exclusively from originating materials.

§ 10.1015 Regional value content.

(a) General. Except for goods to which paragraph (d) of this section applies, where General Note 33, HTSUS, sets forth a rule that specifies a regional value content test for a good, the regional value content of such good must be calculated by the importer, exporter, or producer of the good on the basis of the build-down method described in paragraph (b) of this section or the build-up method described in paragraph (c) of this section.

(b) Build-down method. Under the build-down method, the regional value content must be calculated on the basis of the formula $RVC = \left(\frac{AV - VNM}{AV}\right) \times 100$, where $RVC$ is the regional value content, expressed as a percentage; $AV$ is the adjusted value of the good; and $VNM$ is the value of non-originating materials, other than indirect materials, that are acquired and used by the producer in the production of the good, but does not include the value of a material that is self-produced.

(c) Build-up method. Under the build-up method, the regional value content must be calculated on the basis of the formula $RVC = \left(\frac{VOM}{AV}\right) \times 100$, where $RVC$ is the regional value content, expressed as a percentage; $AV$ is the adjusted value of the good; and $VOM$ is the value of originating materials, other than indirect materials, that are acquired or self-produced and used by the producer in the production of the good.

(d) Special rule for certain automotive goods—(1) General. Where General Note 33, HTSUS, sets forth a rule that specifies a regional value content test for an automotive good provided for in any of subheadings 8407.31 through 8407.34 (engines), subheading 8408.20 (diesel engine for vehicles), heading 8409 (parts of engines), headings 8701 through 8706 (motor vehicles), and headings 8707 (bodies), and 8708 (motor vehicle parts), HTSUS, the regional value content of such good may be calculated by the importer, exporter, or producer of the good on the basis of the net cost method described in paragraph (d)(2) of this section.

(2) Net cost method. Under the net cost method, the regional value content is calculated on the basis of the formula $RVC = \left(\frac{NC - VNM}{NC}\right) \times 100$, where $RVC$ is the regional value content, expressed as a percentage; $NC$ is the net cost of the good; and $VNM$ is the value of non-originating materials, other than indirect materials, that are acquired and used by the producer in the production of the good, but does not include the value of a material that is self-produced. Consistent with the provisions set out in Generally Accepted Accounting Principles, applicable in the territory of the Party where the good is produced, the net cost of the good must be determined by:

(i) Calculating the total cost incurred with respect to all goods produced by the producer of the automotive good, subtracting any sales promotion, marketing, and after-sales service costs, royalties, shipping and packing costs, and non-allowable interest costs that are included in the total cost of all such goods, and then reasonably allocating the resulting net cost of those goods to the automotive good;

(ii) Calculating the total cost incurred with respect to all goods produced by the producer of the automotive good, reasonably allocating the total cost to the automotive good, and then subtracting any sales promotion, marketing, and after-sales service costs, royalties, shipping and packing costs, and non-allowable interest costs that are included in the portion of the total cost allocated to the automotive good; or

(iii) Reasonably allocating each cost that forms part of the total costs incurred with respect to the automotive good so that the aggregate of these costs does not include any sales promotion, marketing, and after-sales service costs, royalties, shipping and packing costs, or non-allowable interest costs.