

Generally, a good qualifies as originating in one of the NAFTA countries if its last place of manufacture was within the NAFTA territory, and if the manufacturing process resulted in significant change in all of the components or materials not of Canadian, United States, or Mexican origin. To test whether a significant change has occurred, we use a tariff classification change test.

When a product is transformed from all materials and components used into the finished good, there is a resulting change from the tariff classifications of the materials and components to that of the finished good.

Harmonized System of tariff classification

A good's specific rule of origin is based on its tariff classification under the Harmonized System (HS). The HS organizes products according to the degree of manufacture, and assigns them classification numbers. It is arranged into 97 chapters covering all products. Each chapter is divided into headings, sub-headings, and tariff items.

Example

Chapter 95	Toys, games, and sports requisites		
	Heading 95.04 Table or parlour games		
		Subheading 9504.20	.. Articles for billiards and accessories	
			Tariff item 9504.20.21 Billiard tables
				9504.20.21

As shown above, headings are identified with a four-digit number, subheadings with a six-digit number, and tariff items with an eight-digit number. As you can see, subheadings give a more specific description than headings, and tariff items give a more specific description than subheadings.

The term **harmonized system** refers to the fact that the chapter, heading, and subheading numbers for any good are identical in any country using the HS. Please note, however, that the final two digits of the tariff items are not harmonized – they are individually assigned by each importing country.

Example

All tomato sauces are classified in the HS subheading 2103.20, regardless of the country of import. However, tomato ketchup is specifically classified by tariff item 2103.20.10 in Canada, 2103.20.40 in the United States, and 2103.20.01 in Mexico.

The specific rules of origin in NAFTA Annex 401 are organized using the HS classification numbers. Therefore, once you have determined the HS classification of the good, use that classification to find the specific rule of origin in Annex 401 that applies. If the good meets the requirements of the rule of origin, it is an originating good.

HS classification change

Most of the specific rules of origin require a certain **HS classification change** from the non-originating materials to the finished good. This change must be a result of production in one or more of the NAFTA countries.

Example

Orange marmalade is classified under heading 20.07. Fresh oranges are classified under heading 08.05. The specific rule of origin for orange marmalade requires a chapter change. If fresh oranges from Brazil are transformed into orange marmalade in the United States, the orange marmalade is an originating good, because a change from chapter 08 to chapter 20 has occurred.

In most cases, the only requirement of a rule of origin will be an HS classification change specified by Annex 401. Therefore, to determine whether a good qualifies as an originating good under NAFTA, after looking up the specific rule of origin, exporters or producers will need to know only the HS classification of the good, and the HS classification of any non-originating materials.