d) automobiles, certain other vehicles and automotive parts (special rules affect the calculation of RVC for these goods);

e) footwear;

f) word processors.

The net cost method is also required for the accumulation of value (Article 404) or in valuing intermediate materials (Article 402).

In those cases where the exporter has the option of choosing either formula, an exporter who elects to use the transaction value method may later revert to the net cost method, if the result of the transactiovalue method is not favourable. However, the reverse is not the case. Once the net cost method is selected, it is binding.

TRANSACTION VALUE

Under the transaction value method, the value of any non-originating material (see page 5) that you used in the production of the good is subtracted from the actual price paid to you for the good. The difference is then divided by the price, with the result converted to a percentage to yield the RVC.

The formula is expressed as follows:

$$\frac{\text{Transaction Value - Value of Non-Originating Materials}}{\text{Transaction Value}} \times 100$$

OR

$$\frac{TV - VNM}{TV} \times 100$$

In most cases, the specific rule will provide that the regional value content for a good is 60 percent, if the transaction value method is used.

The transaction value method should only be used if the producer or exporter is confident that the actual price paid will be acceptable under the principles of the customs valuation code, as set out under the Customs Act.

Transaction Value Method Example: A producer sells a good for $100 in an arm's length sale. Customs accepts the price paid under the customs valuation code. The value of the non-originating materials used in the good is $30.

Using the transaction value method, the calculation is as follows:

$$\frac{TV - VNM}{TV} \times 100 = RVC$$

$$\frac{\$100 - \$30}{\$100} \times 100 = 70\%$$

The regional value content of the good is 70 percent, using the transaction value method.

Note: This calculation alone does not mean that the goods originate. It is only relevant if the rule of origin has an RVC and you meet the necessary tariff change.

NET COST METHOD

Under the net cost method, the value of non-originating materials (see page 5) used in the production of the finished good is subtracted from the net cost of the good. (To calculate the net cost, see page 5.) The difference is then divided by the net cost, with the result converted to a percentage to yield the regional value content.

The *net cost* formula is expressed as follows:

$$\frac{\text{Net Cost - Value of Non-Originating Materials}}{\text{Net Cost}} \times 100$$

OR

$$\frac{NC - VNM}{NC} \times 100$$