

GENERAL ADMINISTRATION FOR FOREIGN TRADE AUDIT OF MEXICO

“Good practices on origin verifications”

MEXICO'S ORIGIN VERIFICATIONS JURISDICTION



The Jurisdiction on NAFTA Origin Verifications is exclusive to the Tax Administration Service
(SAT for its acronym in Spanish)



Within SAT, NAFTA Origin Verifications proposals are the responsibility of the General Administration of Foreign Trade Audit
(AGACE for its acronym in Spanish)



Within AGACE, NAFTA Origin Verifications are carried out by the Central Administration for Foreign Trade Operations Audit
(ACAOCE for its acronym in Spanish)

The main purpose of Origin Verification is the detection of tax evasion as a result of failure to comply with legal requirements at the moment preferential tariff treatment is claimed, provided the following:

1.- Covered goods were not originated in a region comprised by a FTA.

2.- Goods do not comply with Rules of Origin according to the FTA.

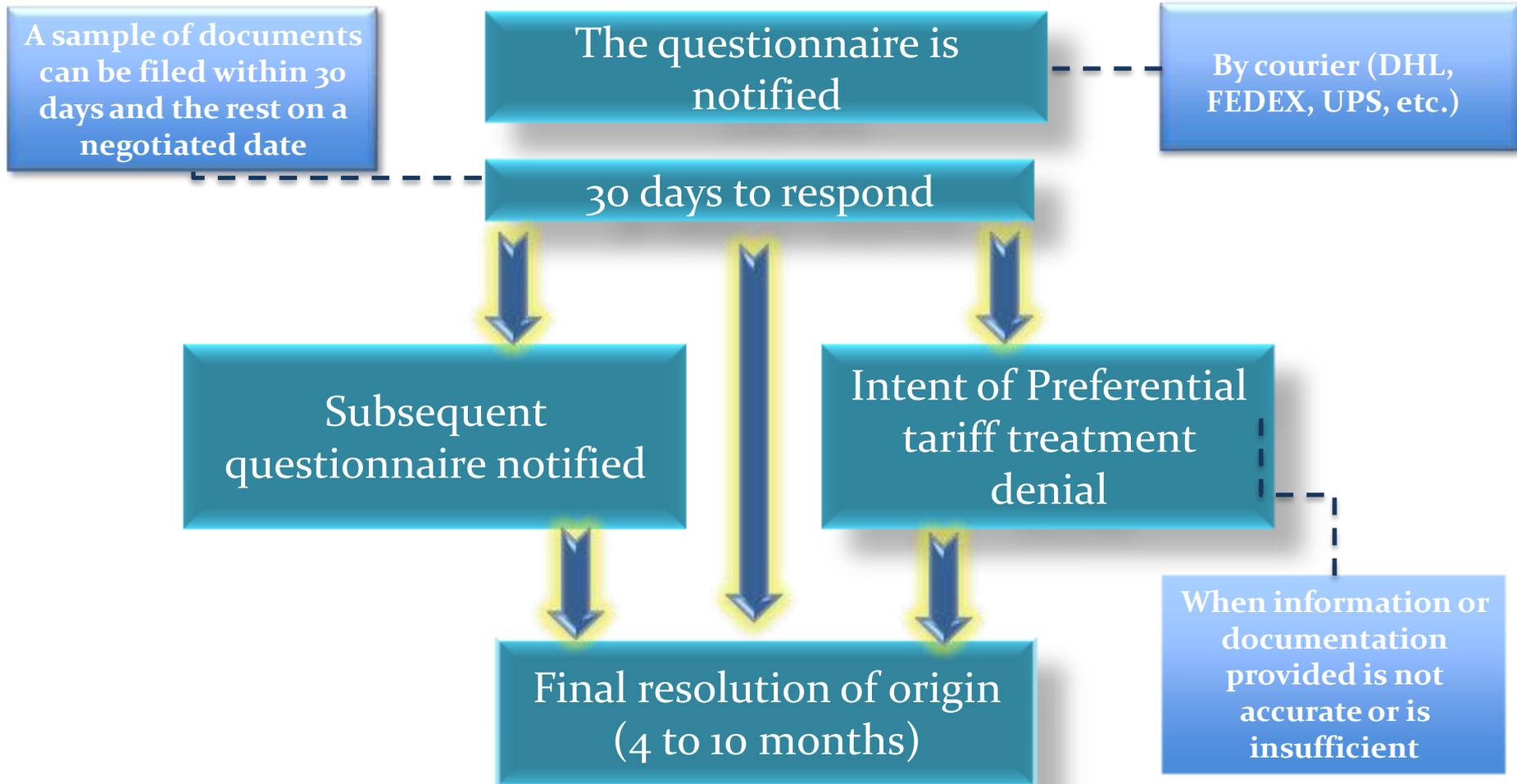
3.- The Authority could not verify origin nor compliance with rule of origin of the goods.

ORIGIN VERIFICATION PROCEDURES

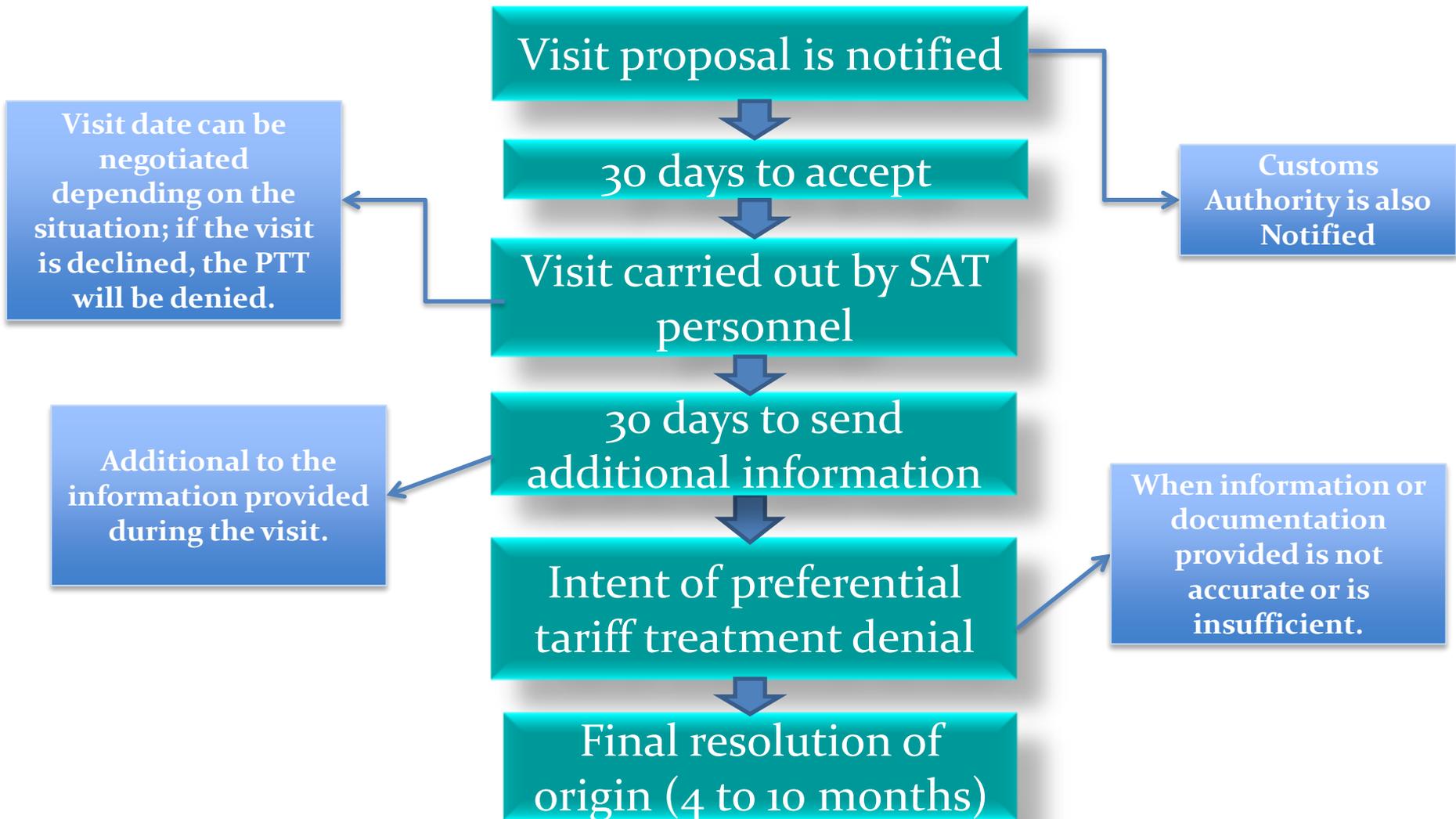
- The procedures mainly being carried out for origin verifications in Mexico's FTA's are questionnaires and/or verification visits.
- The questionnaire is sent in English (except for Spanish speaking countries) and there is an official letter in Spanish, with a non official courtesy translation.
- Contact information of SAT's personnel in charge of auditing is always contained in the official letter.
- Some FTA's contain specific time frames in which to perform origin verifications, the amount of time AGACE will use depends on the complexity of the goods and the operations to be verified. At all times verified company is informed about these procedures.
- You can find more information about Origin Verification procedures at www.sat.gob.mx by clicking at the link "comercio exterior".



QUESTIONNAIRE to the exporter and/or producer



VISIT to the exporter and/or producer



MOST COMMON DOCUMENTS TO BE ASKED FOR DURING ORIGIN VERIFICATIONS

- ❑ (i) The purchase of, cost of, value of, and payment for, the good that is exported from its territory, such as:
 - a) Invoices covering the purchase and sale of the goods subject to verification including proof of payment and bill of lading
 - b) Inventory management records for the goods
 - c) Any documents proving that originating materials were effectively used to produce the goods

- ❑ (ii) The purchase of, cost of, value of, and payment for, all materials, including indirect materials, used in the production of the good that is exported from its territory, such as:
 - a) Invoices covering the purchase of the materials and proof of payment
 - b) Inventory management records for the materials and batch process records
 - c) Certificates of Origin or written representations issued by the producers of the originating materials

- ❑ (iii) The production of the good in the form in which the good is exported from its territory:
 - a) Bill of materials with the description of such materials, tariff classification, country of origin
 - b) Detailed description of the production process indicating the location (country) of each step in the production process.

NOTE: Depending on the rule of origin, some documents will have more importance than others.

MOST COMMON IRREGULARITIES FOUND BY AGACE DURING ORIGIN VERIFICATIONS

Lack of knowledge from the exporters about their FTA obligations.

Both importers and exporters commonly mistake the concept of “NAFTA ORIGINATING” and “MADE IN USA”, which are not necessarily the same.

Exporters frequently forget that before releasing a certification of origin, goods must comply with rules of origin established by NAFTA.

Exporters tend to change addresses or other relevant information which affects their status on the certificates already issued and forget to notify the importer (article 504).

The exporter does not possess accurate information related to the origin of the goods.

IMPACT OF THE VERIFICATION RESULTS WHEN GOODS ARE NON ORIGINATING

1.- Exporters or producers receive a resolution affirming their goods are non originating from an FTA.

2.- FTA certificates issued by the exporter or producer will not be valid in Mexico and therefore, no preferential tariff treatment will be applicable.

3.- Importers are obliged to cover all import taxes they have failed to pay plus the corresponding fines for applying a preferential tariff treatment to non originating goods.

RECOMENDACIONES PROVIDED BY AGACE TO EXPORTERS

- Exporters and producers may carry out a previous FTA-origin analysis of the production of goods to be sold to a NAFTA country.
- Analyze the applicable rule of origin of the goods in order to verify that the certification is correct and that goods are not being certified merely they were bought in the territory or your client is requesting such certification
- Verify the capability to maintain all production records of the goods or that the producer has the records in case of a FTA-origin verification.
- If you are only a exporter, get an FTA origin certificate from the actual producer of the goods and present it in case an origin verification has to be conducted.
- Do not certify goods unless you are 100% sure that they fully comply with rules of origin. **MADE IN DOES NOT ALWAYS MEAN FTA ORIGINATING.**



THANK YOU