§ 10.597

value of identical goods sold within El Salvador at or about the same time the goods were sold to the producer in El Salvador. Thus, if the seller of material x also sold an identical material to another buyer in El Salvador without restrictions, that other sale would be used to determine the adjusted value of material x.

(c) Permissible additions to, and deductions from, the value of materials—(1) Additions to originating materials. For originating materials, the following expenses, if not included under paragraph (a) of this section, may be added to the value of the originating material:

(i) The costs of freight, insurance, packing, and all other costs incurred in transporting the material within or between the territory of one or more of the Parties to the location of the producer;

(ii) Duties, taxes, and customs brokerage fees on the material paid in the territory of one or more of the Parties, other than duties and taxes that are waived, refunded, refundable, or otherwise recoverable, including credit against duty or tax paid or payable; and

(iii) The cost of waste and spoilage resulting from the use of the material in the production of the good, less the value of renewable scrap or byproducts.

(2) Deductions from non-originating materials. For non-originating materials, if included under paragraph (a) of this section, the following expenses may be deducted from the value of the non-originating material:

(i) The costs of freight, insurance, packing, and all other costs incurred in transporting the material within or between the territory of one or more of the Parties to the location of the producer;

(ii) Duties, taxes, and customs brokerage fees on the material paid in the territory of one or more of the Parties, other than duties and taxes that are waived, refunded, refundable, or otherwise recoverable, including credit against duty or tax paid or payable;

(iii) The cost of waste and spoilage resulting from the use of the material in the production of the good, less the value of renewable scrap or byproducts; and

(iv) The cost of originating materials used in the production of the non-originating material in the territory of one or more of the Parties.

(d) Accounting method. Any cost or value referenced in General Note 29, HTSUS, and this subpart, must be recorded and maintained in accordance with the Generally Accepted Accounting Principles applicable in the territory of the Party in which the good is produced.

§ 10.597 Accumulation.

(a) Originating materials from the territory of one or more of the Parties that are used in the production of a good in the territory of another Party will be considered to originate in the territory of that other Party.

(b) A good that is produced in the territory of one or more of the Parties by one or more producers is an originating good if the good satisfies the requirements of §10.594 of this subpart and all other applicable requirements of General Note 29, HTSUS.

§ 10.598 De minimis.

(a) General. Except as provided in paragraphs (b) and (c) of this section, a good that does not undergo a change in tariff classification pursuant to General Note 29(n), HTSUS, is an originating good if:

(1) The value of all non-originating materials used in the production of the good that do not undergo the applicable change in tariff classification does not exceed 10 percent of the adjusted value of the good;

(2) The value of the non-originating materials described in paragraph (a)(1) of this section is included in the value of non-originating materials for any applicable regional value content requirement for the good under General Note 29(n), HTSUS; and

(3) The good meets all other applicable requirements of General Note 29, HTSUS.

(b) Exceptions. Paragraph (a) does not apply to:

(1) A non-originating material provided for in Chapter 4, HTSUS, or a non-originating dairy preparation containing over 10 percent by weight of milk solids provided for in subheading 1901.90 or 2106.90, HTSUS, that is used in the production of a good provided for in Chapter 4, HTSUS;
(2) A non-originating material provided for in Chapter 4, HTSUS, or a non-originating dairy preparation containing over 10 percent by weight of milk solids provided for in subheading 1901.90, HTSUS, that is used in the production of the following goods:
   (i) Infant preparations containing over 10 percent by weight of milk solids provided for in subheading 1901.10, HTSUS;
   (ii) Mixes and doughs, containing over 25 percent by weight of butterfat, not put up for retail sale, provided for in subheading 1901.20, HTSUS;
   (iii) Dairy preparations containing over 10 percent by weight of milk solids provided for in subheading 1901.90 or 2106.90, HTSUS;
   (iv) Goods provided for in heading 2105, HTSUS;
   (v) Beverages containing milk provided for in subheading 2202.90, HTSUS;
   (vi) Animal feeds containing over 10 percent by weight of milk solids provided for in subheading 2309.90, HTSUS;

(3) A non-originating material provided for in heading 0805, HTSUS, or any of subheadings 2009.11 through 2009.39, HTSUS, that is used in the production of a good provided for in any of subheadings 2009.11 through 2009.39, HTSUS, or in fruit or vegetable juice of any single fruit or vegetable, fortified with minerals or vitamins, concentrated or unconcentrated, provided for in subheading 2106.90 or 2202.90, HTSUS;

(4) A non-originating material provided for in heading 0901 or 2101, HTSUS, that is used in the production of a good provided for in heading 0901 or 2101, HTSUS;

(5) A non-originating material provided for in Chapter 15, HTSUS, that is used in the production of a good provided for in Chapter 15, HTSUS;

(6) A non-originating material provided for in any of headings 1701 through 1703, HTSUS;

(7) A non-originating material provided for in Chapter 17, HTSUS, that is used in the production of a good provided for in subheading 1806.10, HTSUS; and

(8) A non-originating material provided for in Chapter 17, HTSUS, that is used in the production of a good provided for in any of Chapters 1 through 24, HTSUS, unless the non-originating material is provided for in a different subheading than the good for which origin is being determined under this subpart.

(c) Textile and apparel goods—(1) General. Except as provided in paragraph (c)(2) of this section, a textile or apparel good that is not an originating good because certain fibers or yarns used in the production of the component of the good determines the tariff classification of the good will nevertheless be considered an originating good if:
   (i) The total weight of all such fibers or yarns in that component is not more than 10 percent of the total weight of that component; or
   (ii) The yarns are nylon filament yarns (other than elastomeric yarns) that are provided for in subheading 5402.11.30, 5402.11.60, 5402.31.30, 5402.31.60, 5402.32.30, 5402.32.60, 5402.45.10, 5402.45.90, 5402.51.00, or 5402.61.00, HTSUS, and that are products of Canada, Mexico, or Israel.

(2) Exception for goods containing elastomeric yarns. A textile or apparel good containing elastomeric yarns (excluding latex) in the component of the good determines the tariff classification of the good will be considered an originating good only if such yarns are wholly formed in the territory of a Party. For purposes of this paragraph, “wholly formed” means that all the production processes and finishing operations, starting with the extrusion of filaments, strips, film, or sheet, and including slitting a film or sheet into strip, or the spinning of all fibers into yarn, or both, and ending with a finished yarn or plied yarn, took place in the territory of a Party.

(3) Yarn, fabric, or fiber. For purposes of paragraph (c) of this section, in the
case of a textile or apparel good that is
a yarn, fabric, or fiber, the term “com-
ponent of the good that determines the
tariff classification of the good” means
all of the fibers in the good.

§ 10.599 Fungible goods and materials.

(a) General. A person claiming that a
fungible good or material is an origi-
nating good may base the claim either
on the physical segregation of the fun-
gible good or material or by using an
inventory management method with
respect to the fungible good or mate-
rial. For purposes of this section, the
term “inventory management method”
means:

(1) Averaging;

(2) “Last-in, first-out;”

(3) “First-in, first-out;” or

(4) Any other method that is recog-
nized in the Generally Accepted Ac-
counting Principles of the Party in
which the production is performed or
otherwise accepted by that country.

(b) Duration of use. A person selecting
an inventory management method
under paragraph (a) of this section for
a particular fungible good or material
must continue to use that method for
that fungible good or material
throughout the fiscal year of that per-
son.

§ 10.600 Accessories, spare parts, or
tools.

(a) General. Accessories, spare parts,
or tools that are delivered with a good
and that form part of the good’s stand-
ard accessories, spare parts, or tools
will be treated as originating goods if
the good is an originating good, and
will be disregarded in determining
whether all the non-originating mate-
rials used in the production of the good
undergo an applicable change in tariff
classification specified in General Note
29(n), HTSUS, provided that:

(1) The quantities and value of the
accessories, spare parts, or tools are
customary for the good.

(2) The quantities and value of the
accessories, spare parts, or tools are
customary for the good.

(a) Regional value content. If the good
is subject to a regional value content
requirement, the value of the acces-
sories, spare parts, or tools is taken
into account as originating or non-
originating materials, as the case may
be, in calculating the regional value
content of the good under §10.595 of
this subpart.

§ 10.601 Retail packaging materials
and containers.

(a) Effect on tariff shift rule. Pack-
aging materials and containers in
which a good is packaged for retail
sale, if classified with the good for
which preferential tariff treatment
under the CAFTA–DR is claimed, will
be disregarded in determining whether
all non-originating materials used in
the production of the good undergo the
applicable change in tariff classifica-
tion set out in General Note 29(n),
HTSUS.

(b) Effect on regional value content cal-
culation. If the good is subject to a re-
geonial value content requirement, the
value of such packaging materials and
containers will be taken into account
as originating or non-originating mate-
rials, as the case may be, in calculating
the regional value content of the good.

Example 1. Guatemalan Producer A of good
C imports 100 non-originating blister pack-
ages to be used as retail packaging for good
C. As provided in §10.596(a)(1) of this subpart,
the value of the blister packages is their ad-
justed value, which in this case is $10. Good
C has a regional value content requirement.
The United States importer of good C decides
to use the build-down method, \[RVC = \left(\frac{AV - VNM}{AV}\right) \times 100\] (see §10.595(b) of this sub-
part), in determining whether good C satis-
fies the regional value content requirement.
In applying this method, the non-originating
blister packages are taken into account as
originating or non-originating mate-
rials, as the case may be, in calculating
the regional value content of the good.

Example 2. Same facts as in Example 1, ex-
cept that the blister packages are origi-
nating. In this case, the adjusted value of the
originating blister packages would not be in-
cluded 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
