

§ 10.813

of the Parties that is incorporated into a good in the territory of the other Party will be considered to originate in the territory of the other Party.

(b) A good that is grown, produced, or manufactured in the territory of one or both of the Parties by one or more producers is an originating good if the good satisfies the requirements of § 10.810 of this subpart and all other applicable requirements of General Note 30, HTSUS.

§ 10.813 Value of materials.

(a) *General.* For purposes of § 10.810(b) of this subpart and, except as provided in paragraph (b) of this section, the value of a material produced in the territory of one or both of the Parties includes the following:

(1) The price actually paid or payable for the material by the producer of the good;

(2) The freight, insurance, packing and all other costs incurred in transporting the material to the producer's plant, if such costs are not included in the price referred to in paragraph (a)(1) of this section;

(3) The cost of waste or spoilage resulting from the use of the material in the growth, production, or manufacture of the good, less the value of recoverable scrap; and

(4) Taxes or customs duties imposed on the material by one or both of the Parties, if the taxes or customs duties are not remitted upon exportation from the territory of a Party.

(b) *Exception.* If the relationship between the producer of a good and the seller of a material influenced the price actually paid or payable for the material, or if there is no price actually paid or payable by the producer for the material, the value of the material produced in the territory of one or both of the Parties includes the following:

(1) All expenses incurred in the growth, production, or manufacture of the material, including general expenses;

(2) A reasonable amount for profit; and

(3) The freight, insurance, packing, and all other costs incurred in transporting the material to the producer's plant.

§ 10.814 Direct costs of processing operations.

(a) *Items included.* For purposes of § 10.810(b) of this subpart, the words "direct costs of processing operations", with respect to a good, mean those costs either directly incurred in, or that can be reasonably allocated to, the growth, production, or manufacture of the good in the territory of one or both of the Parties. Such costs include, to the extent they are includable in the appraised value of the good when imported into a Party, the following:

(1) All actual labor costs involved in the growth, production, or manufacture of the specific good, including fringe benefits, on-the-job training, and the costs of engineering, supervisory, quality control, and similar personnel;

(2) Tools, dies, molds, and other indirect materials, and depreciation on machinery and equipment that are allocable to the specific good;

(3) Research, development, design, engineering, and blueprint costs, to the extent that they are allocable to the specific good;

(4) Costs of inspecting and testing the specific good; and

(5) Costs of packaging the specific good for export to the territory of the other Party.

(b) *Items not included.* For purposes of § 10.810(b) of this subpart, the words "direct costs of processing operations" do not include items that are not directly attributable to the good or are not costs of growth, production, or manufacture of the good. These include, but are not limited to:

(1) Profit; and

(2) General expenses of doing business that are either not allocable to the good or are not related to the growth, production, or manufacture of the good, such as administrative salaries, casualty and liability insurance, advertising, and salesmen's salaries, commissions, or expenses.

§ 10.815 Packaging and packing materials and containers for retail sale and for shipment.

Packaging materials and containers in which a good is packaged for retail sale and packing materials and containers for shipment are to be disregarded in determining whether a

good qualifies as an originating good under §10.810 of this subpart and General Note 30, HTSUS, except to the extent that the value of such packaging and packing materials and containers may be included in meeting the value-content requirement specified in §10.810(b) of this subpart.

§ 10.816 Indirect materials.

Indirect materials are to be disregarded in determining whether a good qualifies as an originating good under §10.810 of this subpart and General Note 30, HTSUS, except that the cost of such indirect materials may be included in meeting the value-content requirement specified in §10.810(b) of this subpart.

§ 10.817 Imported directly.

(a) *General.* To qualify as an originating good under the BFTA, a good must be imported directly from the territory of a Party into the territory of the other Party. For purposes of this subpart, the words “imported directly” mean:

(1) Direct shipment from the territory of a Party into the territory of the other Party without passing through the territory of a non-Party; or

(2) If the shipment passed through the territory of a non-Party, the good, upon arrival in the territory of a Party, will be considered to be “imported directly” only if the good did not undergo production, manufacturing, or any other operation outside the territories of the Parties, other than unloading, reloading, or any other operation necessary to preserve the good in good condition or to transport the good to the territory of a Party. Operations that may be performed outside the territories of the Parties include inspection, removal of dust that accumulates during shipment, ventilation, spreading out or drying, chilling, replacing salt, sulfur dioxide, or aqueous solutions, replacing damaged packing materials and containers, and removal of units of the good that are spoiled or damaged and present a danger to the remaining units of the good, or to transport the good to the territory of a Party.

(b) *Documentary evidence.* An importer making a claim for preferential

tariff treatment under the BFTA for an originating good may be required to demonstrate, to CBP’s satisfaction, that the good was “imported directly” from the territory of a Party into the territory of the other Party, as that term is defined in paragraph (a) of this section. An importer may demonstrate compliance with this section by submitting documentary evidence. Such evidence may include, but is not limited to, bills of lading, airway bills, packing lists, commercial invoices, receiving and inventory records, and customs entry and exit documents.

[CBP Dec. 07-81, 72 FR 58515, Oct. 16, 2007, as amended at CBP Dec. 09-17, 74 FR 23951, May 22, 2009]

TARIFF PREFERENCE LEVEL

§ 10.818 Filing of claim for tariff preference level.

A fabric, apparel, or made-up good described in §10.819 of this subpart that does not qualify as an originating good under §10.810 of this subpart may nevertheless be entitled to preferential tariff treatment under the BFTA under an applicable tariff preference level (TPL). To make a TPL claim, the importer must include on the entry summary, or equivalent documentation, the applicable subheading in Chapter 99 of the HTSUS (9914.99.20) immediately above the applicable subheading in Chapter 52 through Chapter 63 of the HTSUS under which each non-originating fabric or apparel good is classified.

§ 10.819 Goods eligible for tariff preference claims.

The following goods are eligible for a TPL claim filed under §10.818 of this subpart (subject to the quantitative limitations set forth in U.S. Note 13, Subchapter XIV, Chapter 99, HTSUS):

(a) Cotton or man-made fiber fabric goods provided for in Chapters 52, 54, 55, 58, and 60 of the HTSUS that are wholly formed in the territory of Bahrain from yarn produced or obtained outside the territory of Bahrain or the United States;

(b) Cotton or man-made fiber fabric goods provided for in subheadings 5801.21, 5801.22, 5801.23, 5801.24, 5801.25, 5801.26, 5801.31, 5801.32, 5801.33, 5801.34,