



### Overview

For most goods, the USMCA provides two Regional Value Content (RVC) calculation methods: (1) the transaction value method and (2) the net cost method. While the two calculation methods have not changed, this fact sheet highlights key changes from the North American Free Trade Agreement (NAFTA).

The **Transaction Value Method**:  $RVC = (TV - VNM) / TV \times 100$  where

- RVC is the regional value content, expressed as a percentage;
- TV is the transaction value of the good, adjusted to exclude any costs incurred in the international shipment of the good; and
- VNM is the value of non-originating materials including materials of undetermined origin used by the producer in the production of the good.

The **Net Cost Method**:  $RVC = (NC - VNM) / NC \times 100$  where

- RVC is the regional value content, expressed as a percentage;
- NC is the net cost of the good; and
- VNM is the value of non-originating materials including materials of undetermined origin used by the producer in the production of the good.

### References

- **USMCA**
  - *Final Text*: Chapter 4, Article 4.5
  - Annex 4-B
- **NAFTA**
  - General Note 12(c)

### Significant Changes in USMCA

Provision	USMCA	NAFTA
<b>Calculation Method</b>	<b>No change</b> – The formulas used to calculate regional value content have not changed.	
<b>Responsible Party</b>	USMCA adds that the importer may also calculate RVC, not only the producer or exporter.	The exporter or producer of the good has the option to calculate the regional value content.
<b>RVC Threshold</b>	The regional value content of the non-textile good (not including auto and auto parts) is equal or less than 60 percent if the transaction value method is used, is equal or less than 50 percent if the net cost method is used. There is an exception for Chapters 61-63, which is also in NAFTA.	A good shall originate provided that the regional value content of the good is not less than 60 percent where the transaction value method is used, or is not less than 50 percent where the net cost method is used.
<b>Limitations for Calculation Method</b>	USMCA states that some sectors are limited to one method (e.g., automotive sector must use net cost method for passenger vehicles, light trucks, and heavy trucks).	The NAFTA rules of origin for automotive products require that the regional value content for these products be calculated using the net cost method. A complete list of such goods may be found in General Note 12.
<b>Non-Originating Materials</b>	A new rule in the USMCA provides that, where a non-originating material is used in the production of a good, the following may be counted as originating content for purposes of calculating RVC (under either method):	No provision.

Provision	USMCA	NAFTA
	<ol style="list-style-type: none"> <li>1. The value of processing of the non-originating materials undertaken in the territory of one or more of the Parties; and</li> <li>2. The value of any originating material used in the production of the non-originating material undertaken in the territory of one or more of the Parties.</li> </ol>	

#### Detailed USMCA/NAFTA Side-by-Side

Provision	USMCA	NAFTA
<b>RVC Calculation</b>	<p>Each Party shall provide that the regional value content of a good shall be calculated, at the choice of the importer, exporter, or producer of the good, on the basis of either the transaction value method or the net cost method.</p> <p>Each Party shall provide that if a non-originating material is used in the production of a good, the following may be counted as originating content for the purpose of determining whether the good meets a regional value content requirement:</p> <ol style="list-style-type: none"> <li>a) the value of processing of the non-originating materials undertaken in the territory of one or more of the Parties; and</li> <li>b) the value of any originating material used in the production of the non-originating material undertaken in the territory of one or more of the Parties.</li> </ol> <p><i>(Reference: Article 4.5)</i></p>	<p>The regional value content of a good shall be calculated, at the choice of the exporter or producer of such good, on the basis of either the transaction value method or the net cost method.</p> <p>Except as provided in subdivisions (d)(i) and (d)(ii)(A)(2) of this note, the value of non-originating materials used by the producer in the production of a good shall not, for purposes of calculating the regional value content of the good under subdivision (c)(i) or (c)(ii) of this note, include the value of non-originating materials used to produce originating materials that are subsequently used in the production of such good.</p> <p><i>(Reference: General Note 12 (c))</i></p>