



# CUSMA Compliance:

## Your Definitive Business Guide for North American Trade

Shipping is never without some degree of uncertainty. This is especially true when shipping goods across borders.

Standardized changes have recently been made to the map's cross-border trade in commercial in North America. Such an unprecedented fluidity in these processes has left many business owners questioning how to proceed.

Freight.com's experts have compiled this free guide to help in answering those questions and to give you the information and resources you need to continue to thrive even through an uncertain shipping landscape.

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## How to Use This Guide Effectively

This guide will walk you through what you need to know to trade confidently under CUSMA. You'll learn:

- 1. What makes a product CUSMA-compliant
- 2. How to manage your documentation and record-keeping
- 3. Tips for working with customs brokers
- 4. Where to find official resources and government help

It's designed to be practical and easy to follow. Numerous *sample situations* are included – especially if you're dealing with high-value goods or complicated supply chains. When in doubt, always consult an experienced trade professional.



# Understanding CUSMA – What It Means for Your Business

## What is CUSMA?

The **Canada United States Mexico Agreement (CUSMA)**, formerly the US-Mexico CA, replaced the old **NAFTA** trade agreement in 2020. It was designed to modernize North American trade, support economic growth, and make it easier for businesses to move goods between the three countries.

For Canadian businesses, CUSMA keeps most goods duty-free between Canada, the U.S., and Mexico – but only if you follow the rules. These include ensuring your products qualify under CUSMA's "rules of origin" (i.e., where the product was made and where its parts came from).

## What's New Compared to NAFTA?

While CUSMA keeps the core idea of free trade, it adds modern rules for:

- **e-Commerce and digital trade**
- **Stronger protections for intellectual property**
- **Labour and environmental standards**
- **Support for small and medium-sized businesses (SMEs)**



It's more than an update: **It's a reset.** So, if you've been relying on old NAFTA rules, now's the time to rethink your compliance approach.





# The Importance of Being CUSMA-Compliant

## Why Compliance is Good for Business

It pays to go quality under CUSMA:

- You can skip those duty-free or reduced tariffs
- You'll benefit from faster shipping & delivery
- You'll build stronger, more stable supply chains within North America
- Your operations will be more predictable, helping you plan better

All of this leads to lower costs, better customer service, and increased average margins.

## What Happens if You Don't Comply?

Non-compliance can be costly and damaging:

- You risk extra tariffs (e.g., up to 15% tariffs for transshipments)
- Fine ranging from thousands to tens of thousands of dollars, especially if violations aren't corrected quickly
- You may be fined retroactively with interest for duties on past shipments
- Revocation of CUSMA benefits regardless of the qualification of your goods
- You could face legal liability, including damages or even jail for various violations

Compliance isn't just about paperwork. It's about protecting your bottom line and your reputation.



# CUSMA's Rules of Origin – The Key to Duty-Free Shipping

To qualify for duty-free trade with the US under CUSMA, your goods must meet specific requirements known as **Rules of Origin (ROO)**. These rules prove that your product was **made or significantly transformed** in Canada, the US, or Mexico.

## The 4 Main Rules of Origin

### 1. Wholly-Obtained (WO) – 100% North American

Some products are automatically considered "originating" if they are completely grown, produced, or extracted in one of the three CUSMA countries.

#### Examples:

- Produce vegetables grown in North America
- Animals and fish raised or caught in North America
- Minerals mined in North America
- Goods made only from North American materials

If your product fits this category, it's the simplest path to compliance.



### 2. Change in Tariff Classification (CTC) – Transformed Product

This rule applies when you use materials from outside North America but **substantially change** them during manufacturing.

CUSMA uses the **Harmonized System (HS)** code to determine whether that change is big enough:

- **Change in Chapter (2D)** = first 2 digits change
- **Change in Tariff Heading (CTH)** = first 4 digits change
- **Change in Subheading (CTSH)** = first 6 digits change

If you import oak wood (HS code 4407.91) from Europe and manufacture a kitchen table (HS 9403.40) in Canada, the shift in classification qualifies under this rule.

## 2. Regional Value Content (RVC) – North American Value

With RVC, your product must contain a minimum percentage of value from within North America. This includes the cost of materials, labor, and production overheads.

**Cars now require 75% North American content to qualify**  
—up from 62.5% under NAFTA.  
**This rule encourages sourcing and manufacturing within the region.**

To prove compliance, businesses must analyze their costs and suppliers, and calculate their RVC using one of two approved methods (built up or built down).

## 4. Specific Processing Requirements – Special Cases

Some goods need to undergo very specific manufacturing steps in North America to qualify.

Examples:

- Wines must be “crushed and fermented” here
- Steel products may need to be “finished and painted” in the region

These requirements vary by product, so it’s important to check the specific rule for your goods.



## Getting the Classification Right – Why HS Codes Matter

Every product shipped internationally must have an exact HS code – a global classification number that describes what the product is.

Customs rules are tied directly to these codes, so:

- The right HS code = the right rate of origin
- The wrong code = possible penalties or loss of duty benefits

If you're unsure of your product's code, using tools like the [Canada Tariff Finder](#) or working with a customs broker can help.

You can also request a binding advance ruling from [CIS](#) to confirm if you export the good. This gives you legal certainty about your product's classification and origin status.

## Dealing with Mixed Inputs – Fungible Goods and Inventory Tracking

If your product uses interchangeable components from multiple sources (like screws, steel, or fabric), these are called fungible goods.

CIS rules allow you to manage these using standard inventory methods like:

- FIFO (First In, First Out)
- LIFO (Last In, First Out)
- Averaging

However, you must track these inputs carefully. Poor inventory practices can result in denied claims, even if your materials are compliant.

If your business deals with high volume, mixed materials inputs, make sure you have:

- A strong inventory management system
- Documented procedures for tracking inputs

# Market-Specific Compliance – What Changes by Destination

While **USMCA** creates a harmonized agreement across Canada, the U.S., and Mexico, each country has its own rules and procedures for imports.

To ship smoothly and avoid penalties, it's important to know what changes depending on where your goods are going.

## Shipping to Canada (Domestic or Returned Goods)

### Key Agency: Canada Border Services Agency (CBSA)

CBSA is your main point of contact for import regulations and CBSA compliance in Canada. Key guidelines and documents include:

- [Canada Import Guide](#) – Find HS codes and duty rates
- [Global Trade Canada](#) – Full CBSA tool and resources
- [Trade Compliance Desk](#) – Guides and expert help
- [CBSA Guide to Trade Facilitation](#) – Logistics for compliance

### Other Import Requirements

- **Certificate of Origin** (Must include statements)
- **Labeling rules** ("Made in Canada") – U.S. domestic content ("Product of Canada") – 90%
- **Responsible Party** (Sign all origin documents for goods)

### De Minimis Thresholds (for Courier Shipments)

- **Duty-free** for goods up to **\$500**
- **Tax-exempt** (**\$400/USPS**) for goods up to **\$400**
- For shipments from non-USMCA countries, threshold is only **\$200**



## Shipping to the United States

### Key Agency: U.S. Customs and Border Protection (CBP)

CBP enforces USMCA (the U.S. version of NAFTA). Canadian exporters should check:

01

[USMCA Charting](#) for quotas and templates

02

[USMCA Reporting](#) for info on tariffing, customs procedures, etc.

03

[USMCA Rules](#) for certainty on product classification or eligibility



### Other Import Requirements

Presently Mexico still has a tariff schedule, so a mandatory value-added certificate of origin is not required to pay duties and for taxes.

- **Origin preference** (U.S. Importer is responsible for obtaining Certificate of Origin)
- **Certificate of Origin** (Must include 7 data points (quota or trade or separate doc))
- **HS Code classification** Essential for proper rule application
- **Auto parts** Have special transitional rules (up to 5 years for full compliance)
- **Textiles** Certificate about Text Performance Levels (TPLs) for limited quantities of non-originating textiles must follow strict permit and certificate rules
- **Re-exporting** Importers must keep origin documents for 5 years

## Shipping to Mexico

### Key Agencies: SAT & AFIAM

01

[SAT](#) - Oversees tax compliance and customs services

02

[AFIAM](#) - Provides day-to-day customs operations

03

[Secretaría de Economía](#) - Economic policy support for exporters

04

[SE](#) - Participates in trade



### De Minimis Thresholds

Presently Mexico still has a de minimis, or a monetary value up to which shippers are not required to pay duties and/or taxes.

- Tax free up to US\$50
- Duty free up to US\$50



These thresholds are lower than Canada, so plan pricing and shipping carefully for e-Commerce sales.

## Import Rules and Procedures

- **Certification obligation**
  - Most countries have Free Trade Agreements
  - Only the Importer can be held as the author (per the Canada FTA)
- **Tightened enforcement**
  - Mexico's First Shipment (MS) is increasing compliance audits
  - Watch out for FTA audit notification, under valuation, or late requests
- **Revolving duty: Importers must be up to date with Canada and the U.S.**
- **Sanctioning goods from the shipping zone: trade problems, and penalties are tightly regulated - non-compliance can result in seizures, fines, or even jail time**



## Quick Reference – CUSMA De Minimis Thresholds

| Country | General Threshold (Duties & Taxes)             | CUSMA Exempt Imports (Per US\$999)                | Key Notes                                |
|---------|--|---|--|
| Canada  | \$500 (per CUSMA country/line)                 | Duties exempt up to \$1,000 (taxes up to \$1,500) | Alcohol, fuel, and tobacco excluded      |
| U.S.    | Nil  | Nil   | Per manufacturer starts at \$1,000/line  |
| Mexico  | Taxes up to \$2,000 (starts up to \$250 a lot) | Nil   | Lower thresholds + higher shipping costs |





- D. **Digital Signature**  
The **digital signature** is a **code** (e.g., A, B, or C) that is **added** to the **signature**.
- E. **Digital Proof**  
The **digital signature** is a **code** (e.g., A, B, or C) that is **added** to the **signature** and is **valid** for **12 months**.
- F. **Authorized Signature and Date**  
Signature, **date of signing** and the **name** and **title** of the person **signing**.

**Pro Tip:** You can place this info right on your invoice - no separate form needed. Just make sure all 7 elements are there.



## 02

### Who Can Complete the Certificate?

One of the biggest responsibilities CBFA is who **completes**:

- **Exporter**
- **Importer**
- **Importer**

Through **Ability Finance** Media only accepts the **Importer** as **member** and if you're shipping to them, make sure your **paper** is as **of that**.

## 03

### Tips for Making it Easier

- **Template Help** While not required, **Canada Border Services Agency (CBSA)** and **U.S. Customs (CBP)** offer sample forms.
- **Use Blanket Certificates** If you're shipping the same goods repeatedly use a certificate that covers up to 12 months, but remember to update it if anything changes (supplier, materials, production process).
- **No Digital Elements** Certificates and signatures are generally accepted, and make life easier.

## 4. Back It Up: What Documents You Need to Keep

Customs agencies can audit your origin claims years later. Maintaining good records is critical if you're audited; those documents will be your defense.

Here's what you should keep:

- All Certifications of Origin (once you have and need them)
- Purchase Orders for raw materials/components
- Bills of Materials (BOMs) showing what went into your product
- Supplier Certifications of Origin
- Inventory/Production Records (for goods requiring value calculations)
- Shipping Records (in bills of lading or airway bills)
- Export Documents related to the transaction
- Internal Compliance Reviews or Audits



## 5. Record-Keeping: How Long and How to Store

You can't just toss your records after shipping. Customs rules demand long retention periods.



Country

Retention Period

Canada

4 years after export

U.S.

5 years after import/export

Mexico

5 years after import/export



Think of this as your “CUSHIA audit trail.”  
Keep it complete and easy to access.

### **Records matter:**

- Well organized and easily accessible
- Accurate and consistent
- Securely stored – ideally in a digital system for quick access

Work with your vendor to store documents fast. Don't waste time keeping things in drawers – and run fast responses.

### **Final Word: Your Records Are Your Shield**

If and you qualify for CUSHIA benefits, you'll need to prove it – and (just once, but periodically) prove after the adjustment.

The relevance?

- Build a system that captures every required document
- Store it digitally, securely and accessibly
- Review and update your workflows regularly

Compliance isn't some time-consuming, life-sucking part of doing cross-border business right.

## Managing Compliance and Mitigating Risk

Effective compliance under CDPA is not a one-off effort but a continuous process that requires Canadian businesses that implement structured internal controls, robust monitoring systems, and employ strategic risk management to ensure compliance and mitigate exposure.

### A. Proactive Compliance Program Elements

A strong internal compliance program is foundational for Canadian companies engaged in North American trade integration. CDPA compliance integrates operations and builds a culture of accountability.

- **Internal Controls and Due Diligence**  
Businesses should implement robust internal controls, guided by frameworks such as the CDPA Internal Control Integration Framework, which emphasizes documenting and testing integrity controls. Due diligence is especially vital for suppliers and third parties in the supply chain, should be central strategies, including verification of credentials, thorough health, cybersecurity, financials, and regulatory compliance. This front-end scrutiny ensures the entire supply chain supports CDPA requirements.
- **Supplier Internal Audits**  
Proactive internal audits as well as external help businesses identify and resolve compliance issues before they attract customs scrutiny. These reviews are particularly valuable for validating origin determinations, verifying documentation, and ensuring procedural consistency.
- **Staff Training and Awareness**  
Continuous, role-specific training for employees reinforces international trade, import procurement and protection to sales and logistics. Reinforcing these efforts with on-time risk and audit training can improve and reinforce a company's ability to manage regulatory differences.
- **Compliance Software and Systems**  
Leveraging trade compliance software or integrated systems of customs documentation, automated key processes, and digital record of import types. These tools improve both efficiency and accuracy in managing complex CDPA-related workflows.

## B. Responding to Customs Audits and Verifications

Even with robust preventative measures, businesses may still be selected for customs audits or verifications. A prompt and strategic response is essential to minimize risk and disruption.

### ■ Understanding the Verification Process

Customs authorities like [Hajjaj CBFA \(Canada\)](#), [CBP \(USA\)](#), and [HMRC \(UK\)](#) conduct a range of verifications. These include random audits, targeted investigations based on risk indicators, frequenter information (FPI), and annual verifications of production facilities, inventory, and record systems. To manage supply chains, supplier audits are also common, especially for verifying the origin of goods imports.

### ■ Best Practices for Responding to Audits

Upon receiving an audit notice, a timely and transparent response is critical. Engage an experienced customs broker to navigate the matter and increase facility. Businesses should immediately compile and review relevant documentation: commercial invoices, packing lists, bill of lading, purchase orders, production and testing records, and particularly the [Certification of Origin](#) and supporting data. If inconsistencies are found, a well-prepared explanation or voluntary prior disclosure may mitigate penalties. Engaging a customs broker or trade compliance specialist can streamline communication with authorities and ensure full compliance responses. For U.S. businesses, specialized tools such as [Trade International](#) and [Trade Compliance Center](#) (which can act as intermediaries, manage regulatory correspondence, and help challenge CBFA determinations).

### ■ Navigating the Appeals Process

Businesses denied preferential treatment or imposed penalties have the right to appeal within their respective country's systems. A qualified trade compliance expert or trade attorney can guide the business through appeals if product provenance and paperwork are not at issue where applicable.

## C. Risk Mitigation Strategies

In addition to core compliance efforts, businesses can adopt alternative risk mitigation tactics to strengthen their CUBM positions:

- 1. **Advance Holdings**  
Seeking advance rulings from CBIA or CIP provides legally binding clarification of the law, rules, and origin eligibility, offering clarity and reducing the likelihood of future disputes.
- 2. **Supplier Agreements and Inbound Flowback**  
Implement contractual terms, including value-added constraints and post-trade actions, binding suppliers accountable for incorrect or invalid CUBM claims of origin. These agreements should also include cooperation clauses requiring supplier assistance in the event of an origin audit. This shifts some of the risk upstream and reinforces shared responsibility.
- 3. **Alternative Sourcing Strategies**  
If certain inputs present significant challenges from qualifying under CUBM's rules of origin, businesses should explore alternative sourcing within Canada, the U.S., or Mexico. Enhancing North American procurement not only facilitates qualification for preferential treatment but also insulates businesses from future origin challenges.
- 4. **Continuous Monitoring and Adaptation**  
Businesses entering agreements for upcoming CUBM reviews and existing trade policies, including new options for qualifying goods, understand the importance of staying informed. Businesses must monitor regulatory updates, trade policy shifts, and industry developments.

An comprehensive CUBM compliance strategy is more than a defensive measure – it's a competitive differentiator. By embedding compliance into operational processes, proactively managing supply chain risks, and proactively addressing challenges, Canadian businesses can securely maintain operations and solidify their long-term position in the North American marketplace.

## Conclusion: Sustaining Trade Advantage in North America

CEHRA represents a transformative affiliate benefit as economic integration, offering Canadian businesses significant opportunities – provided they can effectively manage its complexity. This guide has highlighted the key dimensions of CEHRA compliance, including its evolution from NAFTA, the certification of Rules of Origin, country-specific procedures, documentation requirements, and strategies for risk mitigation.

CEHRA compliance is not a one-time task but an ongoing, adaptive process. Document standardization and uniform adherence to product-specific Rules of Origin provisions are the keys of preferential tariff eligibility. Canadian companies must also stay alert to procedural nuances and administrative trends, especially those's heightened scrutiny and specific certification requirements.

**Robust documentation practices** – centered on the Certification of Origin and its supporting records – are essential. These serve not only as legal validation for tariff preferences but also as the shield that protects against compliance challenges and penalties.

**Ultimately, proactive compliance strategies** – built on internal controls, staff training, due diligence, regular audits, and openness for customs verification – are critical. It enables Canadian businesses not just to avoid costly errors, but to fully realize the trade benefits CEHRA provides.

As the 2024 CEHRA review approaches, continued vigilance, agility, and investment in compliance capacity will be key to maintaining a competitive edge and contributing to sustained economic growth in the North American marketplace.





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