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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 CUBRA. You'll learn:

1. What makes a product CUBRA-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. However, some situations are complex, especially if you're dealing with high-value goods or complicated supply chains. When in doubt, always call the customs broker or trade professional.



Understanding CUSMA – What It Means for Your Business

What is CUSMA?

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

For Canadian businesses, CUSMA's important goods duty free between Canada, the U.S., and Mexico – but only if you follow the rules. These rules 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's rules, now's the time to refresh your compliance approach.





The Importance of Being CUSMA-Compliant

Why Compliance is Good for Business

If your goods qualify under CUSMA:

- You can ship from duty-free or ultra-low tariff
- You'll benefit from faster customs clearance
- You'll build stronger, more stable supply chains with North America
- Your operations will be more predictable, helping you plan better

All of this leads to lower costs, better customer service, and increased sales volume.

What Happens if You Don't Comply?

Non-compliance can be costly and damaging:

- You risk extra tariffs (e.g., up to 15% tariff for transshipments)
- Fine ranging from thousands to tens of thousands of dollars, especially if mistakes are intentional/spurious
- You may be fined retroactively with interest for duties on past shipments
- Revocation of CUSMA benefits negates entire qualification of your goods
- The cost has legal ramifications, including embargoes or even jail for serious 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 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 U.S., 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 their final manufacturing classification.

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 (COSH) = 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.

3. Regional Value Content (RVC) – North American Value

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

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 pass compliance, businesses must value their costs and suppliers, and calculate their RVC category of tax agreement methods (total up or total down).

4. Specific Processing Requirements – Special Cases

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

Examples:

- Wine must be “not enhanced” from
- Steel products may need to be “hot-dipped galvanized” 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 identifies 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-free status

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 [binding advice](#) a ruling from US Customs. If you export the US, 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.

Customs allows 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 most of your materials are compliant.

If your business deals with high volumes, mixed components, make sure you have:

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

Market-Specific Compliance – What Changes by Destination

While USMCA makes comprehensive agreements across Canada, the U.S., and Mexico, each country has its own rules and procedures for imports.

To ship efficiently 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 USMCA compliance in Canada. Key import rules and programs include:

- [Canada Self-Insure](#) – Post HS codes with duty rates
- [Global Return Canada](#) – Post USMCA returns to companies
- [Trade Compliance Gateway](#) – Guides and expert help
- [CBSA Release of Trade Facilitation](#) – Expedited compliance

Other Import Requirements

- Certification of Origin (that includes false statements)
- Labeling rules ("Made in Canada" or "U.S. domestic content" / "Product of Canada" or "USA")
- Reshipping through origin documents for duty

De Minimis Thresholds (for Courier Shipments)

- Duty-free weight for goods up to \$500
- Tax-free weight (\$400/USPS) for goods up to \$200
- 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 NAFTA (the U.S. version of CUSFTA). Canadian exporters should check:

01

HS Coding: for duties and tariffs

02

Rules of Origin: for tariff benefits, preferences, etc.

03

Marking: Get certainty on product identification & eligibility



Other Import Requirements

Presently Mexico still has a de minimis, so a mandatory value requirement which shippers cannot avoid to pay duties and/or taxes.

- Existing preferences (U.S. importer is responsible for obtaining CUSFTA benefits)
- Certificates of Origin (MUST include FT data points (jurisdiction, invoice or separate list))
- HS Code classification: Essential for proper rules application
- Auto goods: Must specify in additional rules (up to 5 years for full compliance)
- Textiles: CUSFTA allows Text Performance Levels (TPLs) for limited quantities of non-originating textiles must follow strict permit and certificate rules
- Bookkeeping: Importers must keep origin documents for 5 years

Shipping to Mexico

Key Agencies: SAT & ANAM

01

SAT - Mexican tax compliance administration

02

ANAM - Provides day-to-day customs operations

03

Economic Secretary - Economic policy support for exporters

04

SECEX - Export operations



De Minimis Thresholds

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

- Tax free up to US\$50
- Duty free up to US\$507



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

Import Rules and Procedures

- **Certification of Origin**
 - Must meet either Preferred designations
 - Only the importer can be listed as the owner (per the Canada Bill)
- **Tightened enforcement**
 - Mexico's New Mexico AEO increasing compliance audits
 - What it can be: HR, retail verification, under-valuation, or late reports
- **Revolving Agency Importers** means up to 100 bills of lading and that's it.
- **Healthier goods** from the clothing, toys, health products, and cosmetics are tightly regulated - more compliance over health products, footwear, footwear, etc. (all this)



Quick Reference – CUSMA De Minimis Thresholds

Country	General Threshold (Retail & Travel)	CUSMA Exempt Imports (From 06/01/2018)	Key Notes
Canada	\$500 (from CUSMA 06/01/2018)	Excess storage up to \$1,000 (from up to \$2,000)	Alcohol, fuel, and tobacco excluded
U.S.	Nil	Nil	Formal entry starts on 06/01/2018
Mexico	Excess up to \$2,000 (starts up to \$2,000)	Nil	Lower thresholds + higher shipping costs

Documentation & Record-Keeping Essentials

What's more? COBMA has the right documents, and keeping them organized isn't so hard now. It's so good that your guide really can say, "No problem. Follow us, please!" So, today, this, or being there will help you today.

01

The Certification of Origin: Your "COBMA Passport"

To get the COBMA certificate, you need a Certification of Origin - a document that proves your goods qualify under the agreement. The importer must have this certificate at the time they receive the goods to customs.

What Needs to Be on the Certificate?

There's one condition you must use, but the certification includes required line elements (from Annex 1 of COBMA). Should you be one, your state can be denied.



Here's what must be included:

1. **Importer:** Importer or Producer Certification Statement
Name | location | phone | goods qualify | [www.cobma.gov](#)
2. **Exporter:** Information
Name, address | telephone | website | if the person only using the certificate, no.
3. **Exporter:** Information (if different from exporter)
Name | telephone | if the website, this can be similar to what is "same as exporter"
4. **Product:** Description of imported goods (the importer)
HTS | commodity | country | [www.cobma.gov](#) | goods over 1 year, using the site | contact
[www.cobma.gov](#) | contact
5. **Importer:** Information (if needed)
Name | telephone | goods | for | your products and shipments, "Yellow Importers" understood.
6. **DESCRIPTION:** To the | certificate
Name | phone | goods | the goods and the | goods | goods

F. Digital Certificates

There is a number of tools (e.g., A, B, or C from the list of Origin) that you can use.

G. Digital Proof of Origin

The certificate covers the full information of identity and other essential data for the start of the certificate (up to 12 months).

H. Authorized Signatures and Stamps

Signature and stamp of origin and the same validity of the person certifying.

Pro Tip: You can place this info right on your invoice - no separate form needed. Just make sure all 9 elements are there.



02

Who Can Complete Your Certificate?

Should be the legal representative of the COO. It is who usually:

- Export
- Producer
- Importer

The good flexibility of the system really accepts the importer as a certificate user if you're shipping to them, make sure your paper is aware of that.

03

Tips for Making it Easier

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

ii. Back It Up: What Documents You Need to Keep

Customs agencies can audit your origin claims years later. Keeping good records is critical if you're audited. These documents will be your defense:

Here's what you should keep:

- All Certifications of Origin (once you have established)
- Purchase Orders for raw materials/components
- Bill of Materials (BOMs) showing what went into your product
- Supplier Certifications of Origin
- Counting/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



iii. Record-Keeping: How Long and How to Store

The next part to your records after shipping Certified rules manufacturing retention periods:

Country: Retention Period

Canada: 3 years after export

U.S.: 3 years after import/export

Mexico: 3 years after import/export



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

Records modern:

- **Build organized and easily accessible**
- **Secure and consistent**
- **Store flexibly** – Store in a digital system for global access

Proactive risk, you create uniform documents for your record keeping (meeting requirements) and can find responses.

Final Word: Your Records Are Your Shield

If and you qualify for CUSMA benefits, you should respond to and just once, but periodically years after the shipment.

The solution?

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

Compliance isn't your new checklist. It's an ongoing part of doing cross-border business right.

Managing Compliance and Mitigating Risk

Effective compliance under CFCRA best practices include a comprehensive, standardized, Canadian business plan, implement structured internal controls, conduct continuous plans, and employ strategic risk mitigation to reduce compliance and violation exposure.

A. Proactive Compliance Program Elements

A strong internal compliance program is foundational for Canadian companies engaged in North American trade. Integrating CFCRA compliance into everyday operations and builds a culture of accountability.

- Internal Controls and Due Diligence**
Businesses should implement rigorous internal controls, guided by frameworks such as the ISO 37001 (Internal Control: Anti-Bribery Measures), which emphasizes documented procedures, integrity, and risk. Due diligence is especially vital for suppliers and third parties. It thoroughly should cover the entire supply chain, including verification of materials, financial health, cybersecurity practices, and regulatory compliance. This fosters and creates awareness the entire supply chain against CFCRA requirements.
- Supplier Internal Audits**
Periodic internal audits or self-assessments help businesses identify and resolve compliance issues before they affect customs activities. These reviews are particularly valuable for validating origin determinations, verifying documentation, and ensuring procedural consistency.
- Staff Training and Awareness**
Continuous education for employees is essential to international trade. From procurement and production to sales and logistics, businesses must ensure all staff understand not only their own compliance responsibilities but also the company's culture of regulatory adherence.
- Compliance Software and Systems**
Investing in compliance software or integrated systems streamlines documentation, automates key processes, and facilitates global knowledge. The result improves both efficiency and accuracy in managing complex, multi-jurisdictional 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 (including CBIS (Canada), CBP (USA), and HM (UK)) conduct a range of verifications. These include random audits, targeted investigations based on risk indicators, Request for Information (RFI) and onsite inspections of production facilities, inventory and record systems. To manage supply chain, 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 professional to evaluate the matter and increase liability. Businesses should immediately compile and review relevant documentation, including invoices, packing lists, bills of lading, purchase orders, production and testing records, and certificates of origin. The Certificate of Origin and supporting data if non-originating are crucial, as well as prepared explanation or voluntary pre-disclosure may mitigate penalties. Engaging a customs broker or trade compliance specialist can streamline communication with authorities and ensure full strategic response. For U.S. production records, specialized services such as Data International Trade Compliance can assist with documentation, interpret regulatory correspondence, and help challenge CBIS determinations.

■ Navigating the Appeals Process

Businesses denied preferential treatment or imposed penalties have the right to appeal within the respective country's customs system. A qualified trade compliance expert or customs attorney navigates businesses through appeals or protest process and will prepare the relevant documentation as applicable.

C. Risk Mitigation Strategies

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

1. Advance Holdings

Seeking advance rulings from CBMA or CBP provides legally binding decisions on the lawfulness and origin eligibility of foreign entry, and reducing the likelihood of future disputes.

2. Supplier Agreements and Inflation Hedging

Implement contractual terms, including price escalation clauses and purchase orders, holding suppliers accountable for increases in input/Cost of Materials of Origin. These agreements also ensure flexible 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

It can be important to shift suppliers from qualifying under CDMOs Rules of Origin, to businesses that capture alternative sourcing within Canada, Mexico, or the U.S. Enhancing North American content not only facilitates qualification for preferential treatment but also insulates businesses from future origin challenges.

4. Continuous Monitoring and Adaptation

Compliance remains a living agreement. The upcoming 2026 review and existing tariff policies, including case law for qualifying goods, underscores the importance of ongoing external Business Counsel monitor regulatory updates, trade policy shifts, and industry developments.

An comprehensive CDMO 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 preparing for volatility in this sector, Canadian businesses can securely maintain operations and also solidify their long-term position in the North American marketplace.

Conclusion: Sustaining Trade Advantage in North America

CEFTA represents a remarkable effort to foster economic integration, offering Canadian business significant opportunities – provided they can effectively manage its complexity. This guide has highlighted the key dimensions of CEFTA compliance, including transcription from NAFTA, the elimination of rules of origin, country-specific procedures, documentation requirements, and strategies for risk mitigation.

CEFTA compliance is not a one-time task but an ongoing, adaptive process. As economic classifications and rules-of-origin requirements specific to Rules of Origin (ROOs) evolve, the trade of preferential tariff eligibility. Canadian companies must also stay alert to procedural nuances and administrative trends, especially those that heighten 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 professionals but also as the central management against compliance challenges and penalties.

Ultimately, a proactive compliance strategy – built on internal controls, staff training, due diligence, regular audits, and reliance on customs professionals – is critical. It enables Canadian businesses not just to meet regulatory demands, but to fully realize the trade benefits CEFTA provides.

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





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