



## The update of the USA Free Trade Area Agreement

The State of Israel and the United States of America –have updated USA Free Trade Area Agreement (FTA). The update was agreed upon on May 2017 and entered in force only on January 2018

The amendments that were agreed upon are of technical nature only. There was no change in the rules of Origen. (For your convenient, I attached Annex 3 of the agreement that specifies all the rules as to determent what is the country of origin)

The changes as mentioned are of technical nature only. All articles entered under this Agreement shall be documented by a certificate that was known as a Form a certificate (a document with a green background). The change was that instead of the Form A certificate as a method of origen prof in order to make a claim of preferential tariff treatment or in order to verify compliance with the rules of origen set forth in the agreement a declaration will be required/

All shipments will be accompanied by a declaration completed by the producer or exporter on the invoice, delivery note or on any other commercial document (invoice declaration).

This change was made in order that all parties will not require consular transactions, including related fees and charges, or third party approval of customs documentation for imports entered under this agreement. .

From the 1 April 2018 **only** The Invoice declaration will be accepted as a method of Origen prof in order to make a claim of preferential tariff treatment or in order to verify compliance with the rules of Origen set forth in the agreement

### The Specimen Invoice Declaration

I, the undersigned, hereby declare that unless otherwise indicated, the goods covered by this document fully comply with the rules of origin and the other provisions of the Agreement on the Establishment of a Free Trade Area between the Government of Israel and the Government of the United States of America.

o The Exporter (whether the exporter is the Producer or not) \_\_\_\_\_

o The Producer (is not the Exporter) \_\_\_\_\_

Tax Identification No.: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

E-mail: \_\_\_\_\_

Signature: \_\_\_\_\_



**Some Detailed instructions as to how to produce an invoice declaration**

1. The Specimen Invoice Declaration has to be as specified above with no changes
2. The text of the declaration should be printed not stamped or by any other method.
3. The exporter or manufacturer only shall make the invoice declaration. No other party may add any statement to the account in any way
4. A declaration in which amendments and deletions were made is not admissible unless the amendments or deletions have been approved by stamping the exporter or manufacturer's stamp with the change
5. If the issuer declares the account to be an exporter ( the exporter can be either the manufacturer or only the exporter, the exporter shall choose the appropriate option
6. If the invoice declaration is signed by the manufacturer (producer) who is not the exporter of the goods, the producer shall choose the appropriate alternative. The exporter must attach the declaration signed by the manufacturer to the export documents prior to export from the US for submission before the customs clearance procedure in Israel
7. "Tax Identification No" - The exporter or manufacturer shall indicate, as applicable, the company identification number in the United States tax authorities, according to the TIN Number Identification Number (TIN), the Identification Number (ITIN) or the EIN (Exporter Identification Number) or in the absence of these any other applicable registered no. recognized by US tax authorities
8. " Name " - The full name of the worker who signed the invoice declaration
9. " Title " - The official role of the worker signed on invoice declaration shall be noted
10. " E-mail" - The worker's how signed the invoice declaration updated email shall be noted
11. All information has to be filed in accurately; lack of information will cause the declaration to be not admissible.

## Some Detailed instructions as to how to produce an "another commercial document"

In the amendment it is mentioned that the declaration could be of "another commercial document" following is the definition and criteria on order to meet the Israeli customs as to the contents and layout of the document.

In order for a document to be, admissible all of the following conditions have to be met, only then it will be recognized as "another commercial document" that will enable to make a claim of preferential tariff treatment.

1. The document is a letterhead of the exporter or manufacturer.
2. The document shall include the logo of the exporter or manufacturer, identifying details of the exporter or manufacturer including the address and the date of issue of the document.
3. The document should be prepared and issued only by the manufacturer or exporter that should be a United States entity.
4. The document should include a title as following : "INVOICE DECLARATION "
5. The following information should appear in the rows coming after the title of the document :
  - The sales invoice number – in which the goods where soled
  - Date of issue of the invoice
  - Where the invoice was issued

"Invoice" for the purposes of this sub-section is one of the following invoices:

- Export transaction invoice issued in the US and used as an import account to Israel.
  - A third party invoice, including a non-American third party, used as the import account To the State of Israel.
6. In cases where the goods are transferred to distribution centers In the US or in an intermediate country and the transaction invoice is issued by a US company or a company based in the third country, the "**another commercial document**" that should be issued by the US company only. And should specify the list of the original goods entitled to customs preference. The goods must comply with the provision ANNEX 3 (Rules of Origin). In addition, it has to comply with the requirement of direct shipment as listed in section 8 of the annex.
  7. The "**another commercial document**" document shall include an invoice declaration as stated in Appendix A and B to this directive. With all its details
  8. The document will be sent directly from the exporter or manufacturer without the involvement of a third party that is not a party to the transaction

### ANNEX 3

#### (Rules of Origin)

1. This Agreement shall apply to any article if:

(a) that Article is wholly the growth, product, or manufacture of a party or is a new or different article of commerce that has been grown, produced, or manufactured in a Party:

(b) that article is imported directly from one Party into the other Party; and

(c) the sum of (i) the cost or value of the materials produced in the exporting Party, plus (ii) the direct costs of processing operations performed in the exporting Party is not less than 35 percent of the appraised valued of the article at the time it is entered into the other Party.

2. No article shall be considered a new or different article of commerce under this Agreement and no material shall be eligible for inclusion as domestic content under this Agreement by virtue of having merely undergone (1) simple combining or packaging operations or (2) mere dilution with water or with another substance that does not materially alter the characteristics of the article or material.

3. For other purposes of this Agreement, the expression "wholly the growth, product, or manufacture of a Party" refers both to any article which has been entirely grown, produced, or manufactured in a Party and to all materials incorporated in an article which have been entirely grown, produced, or manufactured in a Party, as distinguished from articles or materials imported into a Party from a non-participating country, whether or not such articles of materials were substantially transformed into new or different articles or commerce after their importation into the Party.

4. For the purposes of this Agreement; "country of origin" requires that an article or material, not wholly the growth, product, or manufacture of a Party, be substantially transformed into a new and different article of commerce, having a new name, character, of use, distinct from the article or material from which it was so transformed.

5. For purposes of determining the 35 percent domestic content requirement under this Agreement, the cost or value of materials which are uAnnex up to 15 percent of the appraised value of the article. Such materials must in fact be products of the importing Party under the country of origin criteria set forth in this Agreement.

6. (a) For the purposes of this Agreement, the cost or value of materials produced in a Party includes:

(i) The manufacturer's actual cost for the materials,

(ii) When not included in the manufacturer's actual cost for the materials, the freight, insurance, packing, and all other costs incurred in transporting the materials to the manufacturer's plant.

(iii) The actual cost of waste or spoilage (material list), less the value of recoverable scrap, and

(iv) Taxes and/or duties imposed on the materials by a Party, provided they are not remitted upon exportation.

(b) Where a material is provided to the manufacturer without charge, or at less than fair market value, its cost or value shall be determined by computing the sum of:

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

(ii) An amount for profit, and

(iii) Freight, insurance, packing, and all other costs incurred in transporting the material to the manufacturer's plant. If the pertinent information needed to compute the cost or value of a

material is not available, the appraising officer may ascertain or estimate the value thereof using all reasonable ways and means at his disposal.

7. For the Purposes of this Agreement, direct costs of processing operations performed in a Party mean those costs either directly incurred in, or which can be reasonably allocated to, the growth, production, manufacture, or assembly, of the specific article under consideration. Such costs include, but are not limited to the following, to the extent that they are includable in the appraised value of articles imported into a Party:

(a) All actual labor costs involved in the growth, production, manufacture, or assembly, of the specific article, including fringe benefits, on-the-job training, and the cost of engineering, supervisor, quality control, and similar personnel;

(b) dies, molds, tooling and depreciation on machinery and equipment which are allocable to the specific article;

(c) research, development, design, engineering, and blueprint costs insofar as they are allocable to the specific article; and

(d) costs of inspecting and testing the specific article.

Those items that are not included as direct costs of processing operations are those which are not directly attributable to the articles under consideration or are not costs of manufacturing the product. These include, but are not limited to:

(i) profit; and

(ii) general expenses of doing business which are either not allocable to the specific article or are not related to the growth, production, manufacture, or assembly, of the article, such as administrative salaries, casualty and liability insurance, advertising, and salesmen's salaries, commissions, or expenses.

8. For the purposes of this Agreement, "imported directly" means:

(a) direct shipment from one Party into the other Party without passing through the territory of any intermediate country; or

(b) if shipment is through the territory of an intermediate country, the articles in the shipment do not enter into the commerce of any intermediate country and the invoices, bills of lading, and other shipping documents, show the other Party as the final destination, or

(c) if shipment is through an intermediate country and the invoices and other documents do not show the other Party as the final destination, then the articles in the shipment, upon arrival in that Party, are imported directly only if they

(i) remain under the control of the customs authority in an intermediate country;

(ii) do not enter into the commerce of an intermediate country except for the purpose of a sale other than at retail, provided that the articles are imported as a result of the original commercial transaction between the importer and the producer or the latter's sales agent;

(iii) have not been subjected to operations other than loading and unloading, and other activities necessary to preserve the article in good condition; and

(iv) comply with the origin requirements for articles exported to a Party from the other Party under this Agreement as stated in the documents required under the certification procedure.

For any farther information, please contact: [Gidon.ratzer@orian.com](mailto:Gidon.ratzer@orian.com)