in paragraph 1 to all production undertaken and value added to a good within the Parties. The Parties shall conclude the review within five years of the date of its commencement, unless the Parties agree otherwise.

Article 3.5: Calculation of Regional Value Content

1. The regional value content of a good, specified in Annex 3A (Product-Specific Rules), shall be calculated by using either of the following formulas:

(a) Indirect/Build-Down Formula

$$RVC = \frac{FOB - VNM}{FOB} \times 100$$

or

(b) Direct/Build-Up Formula

$$RVC = \frac{VOM + \text{Direct Labour Cost} + \text{Direct Overhead Cost} + Profit + \text{Other Cost}}{FOB} \times 100$$

where:

RVC is the regional value content of a good, expressed as a percentage;

FOB is the FOB value as defined in subparagraph (e) of Article 3.1 (Definitions);

VOM is the value of originating materials, parts, or produce acquired or self-produced, and used in the production of the good;

VNM is the value of non-originating materials used in the production of the good;

Direct Labour Cost includes wages, remuneration, and other employee benefits; and

Direct Overhead Cost is the total overhead expense.

2. The value of goods under this Chapter shall be calculated, *mutatis mutandis*, in accordance with Article VII of GATT 1994 and the Customs Valuation Agreement. All costs shall be recorded and maintained in accordance with the Generally Accepted Accounting Principles applicable in the Party where the goods are produced.

3. The value of non-originating materials shall be:

(a) for imported materials, the CIF value of the materials at the time of importation; and

(b) for materials obtained within a Party, the earliest ascertainable price paid or payable.

4. A material of undetermined origin shall be treated as a non-originating material.

5. The following expenses may be deducted from the value of non-originating materials or materials of undetermined origin:

(a) the costs of freight, insurance, packing, and other transport-related costs incurred in transporting the goods to the producer;

(b) duties, taxes, and customs brokerage fees, other than duties that are waived, refunded, or otherwise recovered; and

(c) costs of waste and spillage, less the value of any renewable scrap or by-products.

Where the expenses listed in subparagraphs (a) through (c) are unknown or evidence is not available, then no deduction is allowed for those expenses.