

# KOHL'S

## Trade Agreement Definitions Sheet

**Classification** - Merchandise imported into a country is classified under a tariff system for such purposes as tariff (or duty) assessment and import restrictions.

10 Digit HTS Code Represents:

- Specific Type of Commodity
- The Rate of Duty
- Quota or Visa Requirements
- Eligibility for Trade Preferences

**Essential Character** - the prominent characteristic which gives the article its main feature or function, as determined by the outer shell of the garment, largest surface area, greatest value or functionality.

**Harmonized Tariff Schedule (HTS)** – commodity description and coding system including general rules, section and chapter notes, and individual commodity codes which determine duty rates.

**Knit to Shape** - components that are knitted or crocheted from a yarn directly to the specific shape of each panel containing a self-start edge. Minor cutting or trimming will not affect the determination of whether a component is "knit-to-shape."

**Merchandise Processing Fee (MPF)** - Collected by Customs on a per entry basis and is a fee assessed to process merchandise entering into the U.S. and ensures compliance with customs laws and trade rules. MPF is 0.3464% per entry.

**Regional Value Content (RVC)** – Method in determining value of originating (regional) materials to determine Trade Agreement qualifications. Each Trade Agreement has its own calculation formula.

**Rules of Origin** - used to determine the country of origin of a product for purposes of international trade. There are two common types of rules of origin depending upon application, the preferential and non-preferential rules of origin. The exact rules vary by commodity and from country to country.

---

**Short Supply** – Fibers, yarns, and fabrics on the "short supply list" have been determined to be not currently available in the region and therefore may be sourced from outside the Trade Agreement countries for use in qualifying textile and apparel products.

**Single Transformation** – apparel made from non-originating fabric, provided the fabric is cut and sewn in one or more Trade Agreement country and qualifies under a specific program HTS number.

**Substantial Transformation** - An article that consists of materials from more than one country is a product of the last country in which it was **substantially transformed** into a “new and different” article of commerce.

**Tariff Preference Levels (TPL)** - means a quantitative limit for certain non-originating textiles and apparel goods that may be eligible for duty free treatment if the good meets the production requirements set forth in each agreement.

**Tariff Shift** – The single country where each foreign material incorporated in the finished good underwent an applicable change in tariff classification. A change in tariff classification may be from one heading in a chapter to another heading in the same chapter, or from one chapter to another chapter depending on the commodity (i.e. Cotton Fabric “shifted” to T-Shirt).

**Wholly Assembled** - all components, of which there must be at least two, preexisted in essentially the same condition as found in the finished good and were combined to form the finished good in a single country, territory, or insular possession.

**Wholly Obtained or Produced** – a good wholly obtained or produced in a country means a mineral good extracted; a vegetable or plant harvested; a live animal born and raised.

**Yarn Forward** – the yarn is spun, the fabric is knit and the garment is cut and sewn in a country where this is required. Fibers may be of foreign origin.

---