**What is Transit?**

The Common Transit Convention (CTC) is an International customs procedure currently used by UK exporters to export goods through multiple CTC territories (such as Turkey, Norway, Switzerland, Iceland and Serbia). It’s also used to move goods away from an entry border and carry out customs processes elsewhere. In a Day 1 No Deal (D1ND) scenario, T1 transit forms will need to be raised for UK export shipments that have to transit a European country en-route to a different EU delivery country.

**What types of shipment does it affect?**

In a Day 1 No Deal (D1ND) scenario, Transit will only really apply to UK export shipments. It will affect export full load, dedicated express and some part load shipments.

**Is it needed for all EU countries?**

No. A T1 document is not needed for UK exports to France, Belgium, Holland or Ireland as long as the trailer ships directly into the country of delivery. This is because these countries are countries of EU entry. For example, if a vehicle loaded with goods for France ships directly into France, a T1 is not needed. If the driver ships into Belgium with a final delivery point in France, a T1 is needed. This is because the driver must TRANSIT one EU country to get to a different EU country for delivery.

**Why is it needed?**

When we leave the EU, the UK will become a “third country”. In the absence of a free trade deal, UK exports will be subject to EU VAT and possibly duty depending on the commodity code(s). This VAT and duty are payable as soon as the trailer enters the EU, say at Calais. To be able to pay the VAT and duty at this French entry point, Spanish, German or Italian importers for example would need to have fiscal representation in France to make the VAT and duty payments. This is not an easy, quick or cheap undertaking. Hence why Transit is a popular customs procedure when VAT and duty need to be suspended during transit.

There are rumours that Transit could be avoided for loads to Germany even if the drivers transit France, Holland or Belgium to get to Germany. Some Dutch hauliers may be able to take advantage of their country’s excellent customs infrastructure and complete customs clearance for German shipments at the Dutch port of entry using fiscal representation. This currently is available to non-EU countries exporting to the EU whose goods enter the EU in Holland. It’s a system currently available for sea freight shipments. It’s not clear at this stage if it will be available for UK export shipments. Transit can be avoided for Germany by shipping into Cuxhaven near Hamburg from Immingham, but there are only 5 departures per week.

**How does it work?**

If your shipment requires a T1 document to be raised this needs to be done on the New Computerised Transit System (NCTS). In general, it is only Authorised Consignors and customs agents that have access to this system.

We will use a full load export from Manchester to Milan to explain how this works with the assumption that the exporter is not Authorised to use NCTS.

The driver loads in Manchester. An export declaration is then made into CHIEF producing a Movement Reference Number ( MRN ). From this MRN, the goods are then entered into Transit on NCTS. An office of departure and destination need to be inputted. The office of departure will be the one where the driver will collect the T1 document and get it stamped. The office of destination will normally be a Government customs office in Italy. If the delivery point is an Authorised Consignee then their address can be entered as the office of destination.

In the UK, the driver will only have a choice of 4 offices to collect the T1 document from. One in Dover, one near to Folkestone and two in the vicinity of the M25. The driver must go the appointed office of departure to collect and stamp his T form.

If the shipment for Milan is worth 100,000 euros and 20% VAT and 3% duty are payable in Italy, the T1 issuer is effectively guaranteeing the payment of 23,000 euros to the Italian Government if the VAT and duty are not paid.

The driver must present this document at the designated customs office in Italy. The T1 form is then discharged, the goods are entered into a new customs regime (for example free circulation), customs cleared (VAT and duty paid, import customs entry completed) and then and only then can the driver leave to make delivery.

**What are the implications Transit might cause in a D1ND scenario?**

Assuming the exporter is not authorised, the driver must collect the T1 from a logistics company that is authorised to raise Transit on the NCTS system or to 1 of the 4 offices mentioned above. There are insufficient companies that have a Union Transit Guarantee (UTG) and access to the NCTS system. The level of guarantees that the UTG holders have collectively will not be enough to enter all goods that need entering into Transit on a specific day.

With collection offices predominantly based in Kent, there will be huge congestion not only in Kent to get to Dover or Folkestone but also at the offices of departure at these sites where drivers need to collect a physical copy of the T1 and get it stamped.

Drivers not accustomed to completing such customs procedures may forget to collect the T1 or just go to the delivery point and not discharge the T1 at EU customs beforehand. The ramifications of such actions could be very serious, time-consuming and expensive.

**What’s the cost?**

For groupage and some part load shipments there may be no cost. If the export shipment is consolidated onto a groupage trailer with many other shipments, only one TAD (Transit Accompanying Document) will be needed which the logistics company will pay for. They may choose to ask for a contribution to the cost of the TAD depending on the value of your shipment.

For export full loads, express loads and some part loads not going on groupage trailers the cost to raise a TAD will be approximately £50-£75.

If there is for example 23,000 euros of VAT and duty payable to the Italian government by an Italian importer and for whatever reason they do not pay it, the issuer of the TAD becomes liable. If the import VAT and duty is not paid, it is deducted from the issuers Transit guarantee. The issuer of the TAD will then possibly look to recover this money from the exporter if they are dealing directly with them. Some companies issuing T1’s may require the exporter to put up a bond prior to the issuing of the TAD to cover the EU import VAT and duty if it is not paid.

If you have any questions on Transit, please email brexit@espaceglobalfreight.com

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