

**CPT | Carriage Paid To  
(named place of destination)  
Incoterms® 2020 [UPDATED]**



# CPT | Carriage Paid To (named place of destination) Incoterms® 2020 [UPDATED]

The CPT (Carriage Paid To) rule requires the seller to deliver the goods to its carrier but does not indicate whether that is either at the seller's premises loaded onto the collecting vehicle or delivered to another premises not unloaded from the seller's vehicle. The seller must carry out any export formalities and the buyer carries out any import formalities. It is the seller's responsibility to contract for carriage and of course the cost of that will be built into the selling price. Like FCA, the risk transfers to the buyer immediately when delivery has been made, This rule works well for land transport within the Europe/Central Asia landmass, because often the truck collecting the goods will be the one transporting the goods to the destination.

The CPT rule has two important places, the place of delivery in the seller's country and the

destination to where the seller contracts the carriage. It is important to not confuse the two.

Despite being recommended in place of CFR for cross-ocean container shipments this rule in practice is largely unworkable for them. This is because in such shipments the buyer wants to only take on the risk of damage or loss of the goods when they have actually been exported. Initially the buyer is not only unaware of when or where delivery has occurred but also to whom, as it will be the seller's carrier. They don't want to be faced with any possibilities of having to deal with any problems whatsoever in the exporting country. The seller has no obligation to put the goods on board a ship by a given date, but as it is using its own contracted carrier it should be easily able to obtain an on board bill of lading.

# CPT Seller and Buyer Obligations

## CPT A1 / B1: GENERAL OBLIGATIONS

### A1 (General Obligations)

In each of the eleven rules the seller must provide the goods and their commercial invoice as required by the contract of sale and any other evidence of conformity such as an analysis certificate or weighbridge document etc that might be relevant and specified in the contract.

Each of the rules also provides that any document can be in paper or electronic form as agreed to in the contract, or if the contract makes no mention of this then as is customary. The rules do not define what "electronic form" is, it can be anything from a pdf file to blockchain or some format yet to be developed in the future.

### B1 (General obligations)

In each of the rules the buyer must pay the price for the goods as stated in the contract of sale.

The rules do not refer to when the payment is to be made (before shipment, immediately after shipment, thirty days after shipment, half now half later, or whatever) or how it is to be paid (prepayment, against an email of copy documents, on presentation of documents to a bank under a letter of credit, or other arrangement). These matters should be specified in the contract.

## CPT A2 / B2: DELIVERY

### A2 (Delivery)

The seller delivers the goods by handing them over to its contracted carrier, on the agreed date or within the agreed period.

There has in the past been some confusion because Incoterms® 2000 referred to “the first carrier” if there were subsequent carriers. In practice there may well be several carriers contracted in turn by the seller’s contracted carrier, such as the truck collecting the goods and taking them to the airport terminal, the cargo handler contracted by the airline to move the goods to the aircraft and load them onto it, the airline itself, and the repeat of these at the other end. But the only carrier of concern is that carrier contracted to move the goods from the point of delivery to the destination.

Most importantly, delivery occurs when the seller passes the goods to their carrier to transport them, not when the goods reach the destination

### B2 (Delivery)

The buyer not only must take delivery when they have been handed to the seller’s carrier, but also physically receive them at the named place, or point within that place, of destination.

## CPT A3 / B3: TRANSFER OF RISK

### **A3 (Transfer of risk)**

In all the rules the seller bears all risks of loss or damage to the goods until they have been delivered in accordance with A2 described above. The exception is loss or damage in circumstances described in B3 below, which varies dependent on the buyer's role in B2.

### **B3 (Transfer of risk)**

The buyer bears all risks of loss or damage to the goods once the seller has delivered them as described in A2.

If the contract provides for the buyer to inform the seller the time for dispatching the goods or the point of receiving the goods within the destination place and the buyer fails to do so, then the buyer bears the risk of loss or damage to the goods from the agreed date or the end of the agreed period.

For example, if the buyer does not inform the seller where he is to send the goods, how can the seller dispatch them? If the seller has clearly identified the goods then the risk transfers to the buyer either on the agreed date or the end of the agreed period.

## CPT A4 / B4: CARRIAGE

### A4 (Carriage)

The seller must contract for the carriage of the goods, or procure such contract if this is one leg of a “string” sale. The contract must be from the place of delivery and maybe an agreed point within that place. It must be made on “usual terms” and for the “usual route in a customary manner of the type used by the carriage of the type of goods sold.” If the seller and buyer agree on specific matters regarding the contract of carriage that is well and good, but if they don’t then the seller must arrange it in the usual manner for those goods.

As the seller has to arrange the carriage it needs to know from the buyer if there is a specific point in the place of destination to which the goods must be transported. For example, if the destination is shown as simply “New Delhi, India” where in that large metropolis is the seller’s carrier to leave the goods? It could be that it is to be the buyer’s premises, or a particular location say in a green-fields building site, or the carrier’s premises, or the airport, or the container yard... the exact point should be agreed upon. If it is not then it is the seller’s choice to select the point that best suits its purpose, usually being the cheapest option such as a cargo terminal.

If the delivery at the destination is to occur after the buyer completes any necessary import formalities then the cost of storage due to delays in those formalities being completed is for the buyer, always assuming the seller has provided the buyer with necessary documents in time.

The seller must comply with any transport-related security requirements for the whole of the transport to the destination.

### B4 (Carriage)

The buyer has no obligation to the seller to arrange a contract of carriage.

## CPT A5 / B5: INSURANCE

### A5 (Insurance)

The seller does not have the risk beyond the delivery point so it has no obligation to the buyer to arrange a contract of insurance. However, if the buyer requests, at its risk and cost, the seller must provide the buyer with information in its possession that the buyer needs to arrange its insurance. If there is any information which the buyer requests that is not already known to the seller, logically the seller can, and probably would, choose to assist.

Nevertheless, and this is not covered by the Incoterms® 2020 rules, a wise seller would investigate taking out marine insurance on a contingency basis. If the goods are lost or damaged in transit, and the buyer therefore refuses to pay for them, in essence breaching the contract, the seller will want to have a fall-back of being able to claim on its own marine insurance.

### B5 (Insurance)

Despite having the risk of loss or damage to the goods from the delivery point, the buyer does not have an obligation to the seller to insure the goods. Whether the buyer chooses to insure the goods or bear the risk themselves is entirely their choice.

## CPT A6 / B6: DELIVERY / TRANSPORT / DOCUMENT

### A6 (Delivery / Transport document)

The seller must provide the buyer with the usual transport documents for the transport contracted in A4, if it is customary or the buyer requested it, and at the seller's cost.

As CPT and CIP cover any mode or modes of transport, what form that document of transport takes will be dependent on the mode/s used. If the modes include carriage by sea such as in FCL or LCL transactions then it is usual for the seller to obtain a sea waybill or bill of lading. If the latter is issued in a negotiable form and in several originals then a full set of those originals must be presented to the buyer, sometimes through the seller's bank to the buyer's bank under a letter of credit. If the mode includes the goods going by air then typically an air waybill will be issued and if requested the seller will be given one "original for shipper" but this is not a negotiable transport document. Shipment by truck might involve issue of a CMR in Europe or simply some form of consignment note or truck waybill and these too are not negotiable. Shipment by rail similarly will usually be covered by some form of rail consignment note that is not negotiable.

The transport document must cover movement of the contracted goods within the agreed period for shipment. If it is agreed then this document must enable the buyer to claim the goods from the carrier at the named place of destination, and in a string sale enable the buyer to sell the goods in transit to a subsequent buyer by transferring that document. This would usually be in the form of a negotiable bill of lading.

## **B6 (Delivery / Transport document)**

The buyer must accept the transport document provided by the seller so long as it is in conformity with the contract.

## **CPT A7 / B7: EXPORT / IMPORT CLEARANCE**

### **A7 (Export / Import clearance)**

This rule, like all the multimodal rules, is suitable for both domestic and international transactions.

Where applicable, the seller must at its own risk and expense carry out all export clearance formalities required by the country of export, such as licences or permits; security clearance for export; pre-shipment inspection; and any other authorisations or approvals.

The seller has no obligation to arrange any transit/import clearances. However if the buyer requests, at its own risk and cost, the seller must assist in obtaining any documents and/or information which relate to formalities required by the country of transit or import such as permits or licences; security clearance for transit/import; pre-shipment inspection required by the transit/import authorities; and any other official authorisations or approvals.

### **B7 (Export / Import clearance)**

Where applicable, the buyer must assist the seller at the seller's request, risk and cost, in obtaining any documents and/or information needed for all export-related formalities required by the country of export.

Where applicable, the buyer must carry out and pay for all formalities required by any country of transit and the country of import. These include licences and permits required for transit; import licences and permits required for import; import clearance; security clearance for transit and import; pre-shipment inspection; and any other official authorisations and approvals. They are the buyer's responsibility because they occur after delivery by the seller.

At first glance it might seem strange that both seller and buyer have responsibility for pre-shipment inspections. To clarify, the seller is responsible if it is a requirement of the country of export, and the buyer is responsible if it is a requirement of the country of transit/import.



## CPT A8 / B8: CHECKING / PACKAGING / MARKING

### A8 (Checking / Packaging / Marking)

In all rules the seller must pay the costs of any checking operations which are necessary for delivering the goods, such as checking quality, measuring the goods and/or packaging, weighing, counting the goods and/or packaging.

The seller must also package the goods, at its own cost, unless it is usual for the trade of the goods that they are sold unpackaged, such as in the case of bulk goods. The seller must also take into account the transport of the goods and package them appropriately, unless the parties have agreed in their contract that the goods be packaged and/or marked in a specific manner.

### B8 (Checking / Packaging / Marking)

In all rules there is no obligation from the buyer to the seller as regards packaging and marking. There can in practice however be agreed exceptions, such as when the buyer provides the seller with labels, logos, or similar.

## CPT A9 / B9: ALLOCATION OF COSTS

### A9 (Allocation of costs)

The seller must pay all costs until the goods have been delivered under A2, other than any costs the buyer must pay as stated in B9.

Transport costs resulting from the contract of carriage, including costs of loading the goods and any transport-related security, must be paid by the seller. The cost of providing to the buyer proof of the goods being delivered are also for the seller.

If the contract of carriage includes unloading at the agreed destination, which would typically be the case in most shipments, the seller must pay these. Additionally, any costs of transit included in the contract of carriage must also be paid by the seller.

The seller must pay any costs involved in providing the usual proof that the goods have been delivered, so if the contract between the parties states that proof as being a transport document then the carrier's document fee is for the seller.

The seller must pay any costs, export duties and taxes, where applicable, related to export clearance.

If the buyer is requested by the seller to provide information or documents in relation to export clearance, then the seller must pay the buyer for these costs.

### B9 (Allocation of costs)

The buyer must pay the seller all costs relating to the goods from when they have been delivered,

other than those payable by the seller.

If the seller has been requested by the buyer to provide assistance in obtaining information or documents needed for the buyer to effect insurance and import formalities, then the buyer must reimburse the seller's costs.

Where applicable, the buyer must pay any duties, taxes and other costs for import clearance.

The buyer must pay for unloading costs unless they were paid by the seller under the contract of carriage.

The buyer must pay for any costs of the country of transit unless they have been paid by the seller under the contract of carriage.

## **CPT A10 / B10: NOTICES**

### **A10 (Notices)**

The C rules as we have seen before involve two distinct points. This is reflected by the requirement that the seller must give the buyer notice that the goods have been delivered as required in A2, and any notice the buyer will need enabling the buyer to receive the goods. The manner in which this will be done is usually detailed in the contract, such as by a simple email and/or copies of shipping documents being emailed.

### **B10 (Notices)**

If the parties agree in the contract that the buyer is entitled to determine the time for the seller to deliver the goods, and possibly more importantly, the point within the named place of destination where it will receive the goods, the buyer must give the seller sufficient notice. The contract will usually detail how much notice is to be given, and this might vary with the mode/s of transport.

# Carriage Paid To (CPT): Advantages and Disadvantages

This rule was first published in Incoterms® 1980 as DCP (Freight Carriage Paid To). It was changed in Incoterms® 1990 to the current CPT.

This rule has a number of advantages for the seller.

If the seller has large numbers of goods to despatch daily or on a regular basis, by using CPT it chooses its own carrier and can easily coordinate loading of trucks at its despatch dock, whereas if it were to use FCA with each buyer arranging their own carrier it could be chaos at the loading dock.

The seller might have better buying power for freight than the buyer, so in such a case the buyer would usually benefit from lower rates built into the price even though the seller would be entitled to add its margin. Additionally, the buyer is freed up from worrying about logistics in the seller's country and making a freight booking potentially on the other side of the world.

Despite the three letters "CPT" being followed by the destination place, delivery occurs when the seller gives the goods to its carrier contracted to take them to that destination. It is at that delivery point in the seller's country that the risk transfers from the seller to the buyer.

The rule gives no definition of where a "place" might be, it will depend entirely on what the seller and buyer have agreed. For a shipment by road it could be the buyer's premises, by rail it could be the nearest rail terminal or station to the buyer, because these two are usually used for domestic or intra-customs zone transactions. For air it could be either the airline's terminal or the forwarder's terminal at or near the destination airport, and for sea by containers as a full container load (FCL) it will usually be the carrier's terminal (CY = container yard) or for less than container load (LCL) the cargo will be deconsolidated at a consolidator's premises (CFS = container freight station). The destination for air and sea in containers could even be the buyer's premises too, but this is unusual and involves the seller's carrier taking hold of the goods again after they have been import-cleared and then delivering them beyond where they sat while being import-cleared.

The disadvantage to the buyer is that they take on the risk when the goods are in the possession and control of the seller's carrier, which they will be from before the buyer might even be aware of the delivery until they arrive at the destination place and the buyer takes possession of them.

The same situation regarding the on board date on a bill of lading for clearing a container shipment might apply for CPT as well as FCA.

There is no obligation on either the seller or the buyer to insure the goods against the buyer's risk, but it would be prudent that a CPT buyer carries an open marine policy or takes out insurance specifically for the shipment. The prudent seller will investigate the possibility of taking out contingency marine

cover, should the buyer default and the goods remain at the seller's risk.

If the buyer requires extra documents such as a certificate of origin, the seller must assist the buyer, at the buyer's request, risk and cost, to obtain it.

Arranging payment for a CPT transaction under LC is somewhat easier than FCA as the seller has control of the carrier and what occurs in its country. The LC should still show the place of receipt (SWIFT MT700 tag 44A) as that is where delivery occurred. The latest shipment date (tag 44C) or shipment period (tag 44D) should again be extended by a suitable period such as 21 days as the CPT rule does not deal with when the goods left the seller's country but when the seller delivered them to the carrier. The CPT seller will be in a position to obtain a transport document from its own carrier showing the seller correctly as shipper or consignor. If shipment is by sea then the seller can obtain an on board bill of lading even though the on board date will very likely be after the contracted delivery date.

The seller can obtain a certificate of origin showing itself as the exporter / shipper / consignor.

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Refer to ICC publication no. 723E for the text*

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## Want a more detailed explanation on how to use the Incoterms rules?

Trade Finance Global (TFG) has published a comprehensive Commentary on the Incoterms® 2020 rules. This is meant to be used in conjunction with The International Chamber of Commerce's (ICC) new book, Incoterms® 2020.

The Commentary on the Incoterms® 2020 rules is authored by Bob Ronai CDCS, a member of the ICC's Incoterms® 2020 Drafting Group, in partnership with Trade Finance Global (TFG).

This 94 page e-book is designed to provide an Article by Article overview and commentary of the Incoterms® rules, in plain simple English.

- Written by a Member of the ICC Incoterms® 2020 Drafting Group
- Introduction to why Incoterms® 2020 Rules were written and the process
- Article-by-article (A1-A10 and B1-B10) explanation of the rules
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- Includes updates on EXW, FCA, CPT, CIP, DAP, DPU, DDP, FAS, FOB, CFR and CIF
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- Conclusions and top tips for using Incoterms® 2020 Rules

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