



NAVIGATING THE EXPORT JOURNEY

Incoterms

Milton Bazley – Export Hub Facilitator

INCOTERMS

- Incoterms is the short and snappy way of saying International Commercial Terms which relate to International Commercial Law published by the International Chamber of Commerce (ICC).
- Incoterms rules provide internationally accepted definitions and rules of interpretation for most common commercial terms used in contracts for the sale of goods.
- Understanding Incoterms is a vital part of International Trade because they clearly state which tasks, costs and risks are associated with the buyer and the seller which greatly reduce the risk of potentially costly misunderstandings.

INCOTERMS 2020

- Incoterms 2020 is the 9th set of International Commercial Terms published by the ICC.
- Incoterms 2020 defines 11 rules.
- In prior versions, the rules were divided into four categories, but the 11 pre-defined terms of Incoterms 2020 are subdivided into two categories based on method of delivery:
 - Any Mode or Modes of Transport - 7 rules maybe used regardless of the method of transport.
 - Sea and Inland Waterway Transport - 4 rules are applicable only to sales that solely involve transportation by water where the condition of the goods can be verified at the point of loading on board vessel. They are therefore not to be used for containerised freight, other combined transport methods, or for transport by road, air, or rail.

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- Any Mode or Modes of Transport:
 - EXW - Ex Works (named place of delivery)
 - FCA - Free Carrier (named place of delivery)
 - CPT - Carriage Paid To (named place of destination)
 - CIP - Carriage and Insurance Paid To (named place of destination)
 - DAP - Delivery At Place (named place of destination)
 - DPU - Delivery At Place Unloaded (named place of destination)
 - DDP - Delivery Duty Paid (named place of destination)
- Sea and Inland Waterways Transport:
 - FAS - Free Alongside Ship (named port of shipment)
 - FOB - Free On Board (named port of shipment)
 - CFR - Cost and Freight (named port of shipment)
 - CIF - Cost, Insurance and Freight (named port of shipment)

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- Any Mode or Modes of Transport:

- **EXW (Ex Works)** **Ex works is when the seller places the goods at the disposal of the buyer at the seller's premises or at another named place (ie works, factory, warehouse, etc). The seller does not need to load the goods on any collecting vehicle. Nor does it need to clear them for export, where such clearance is applicable.**
- **FCA (Free Carrier)** The seller delivers the goods to the carrier or another person nominated by the buyer at the seller's premises or another named place. The parties are well advised to specify as explicitly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.
- **CPT (Carriage Paid To)** The seller delivers the goods to the carrier or another person nominated by the seller at an agreed place. The seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.
- **CIP (Carriage and Insurance Paid To)** The seller has the same responsibilities as CPT, but they also contract for insurance cover against the buyer's risk of loss or damage to the goods during the carriage. The buyer should note that under CIP the seller is required to obtain insurance only on minimum cover.
- **DAP (Delivery At Place)** **The seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. The seller bears all risks involved in bringing the goods to the named place.**
- **DPU (Delivery At Place Unloaded)** Replaces Incoterm 2010 DAT. The seller delivers when the goods, once unloaded are placed at the disposal of the buyer at a named place of destination. The seller bears all risks involved in bringing the goods to, and unloading them at the named place of destination.
- **DDP (Delivery Duty Paid)** **The seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination. The seller bears all the costs and risks involved in bringing the goods to the place of destination. They must clear the products not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities.**

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• Sea and Inland Waterways Transport:

- FAS (Free Alongside Ship) The seller delivers when the goods are placed alongside the vessel (e.g., on a quay or a barge) nominated by the buyer at the named port of shipment. The risk of loss of or damage to the goods passes when the products are alongside the ship. The buyer bears all costs from that moment onwards.
- FOB (Free On Board) The seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the products are on board the vessel. The buyer bears all costs from that moment onwards.
- CFR (Cost and Freight) The seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the products are on board the vessel. The seller must contract for and pay the cost and freight necessary to bring the goods to the named port of destination.
- CIF (Cost, Insurance and Freight) The seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the products are on the ship. The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. The seller also contracts for insurance cover against the buyer's risk of loss of or damage to the goods during the carriage. The buyer should note that under CIF the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

INCOTERMS 2020

Incoterms [®] 2020 Rules Responsibility Quick Reference Guide											
IncoDocs	Freight Collect Terms						Freight Prepaid Terms				
Groups	Any Mode or Modes of Transport		Sea and Inland Waterway Transport				Any Mode or Modes of Transport				
Incoterm [®]	EXW Ex Works (Place)	FCA Free Carrier (Place)	FAS Free Alongside Ship (Port)	FOB Free On Board (Port)	CFR Cost and Freight (Port)	CIF Cost Insurance & Freight (Port)	CPT Carriage Paid To (Place)	CIP Carriage & Insurance Paid to (Place)	DAP Delivered at Place (Place)	DPU Delivered at Place Unloaded (Place)	DDP Delivered Duty Paid (Place)
Transfer of Risk	At Buyer's Disposal	On Buyer's Transport	Alongside Ship	On Board Vessel	On Board Vessel	On Board Vessel	At Carrier	At Carrier	At Named Place	At Named Place Unloaded	At Named Place
Obligations & Charges:											
Export Packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port/Place	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty, Taxes & Customs Clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Carriage Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable	*Seller	Negotiable	**Seller	Negotiable	Negotiable	Negotiable
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Unloading at Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer
Import Duty, Taxes & Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller

HOW TO PUT INCOTERMS 2020 INTO PRACTICE ON SALES CONTRACTS

- The new Incoterms 2020 came into effect on 1st January 2020. Trading partners can still carry on using Incoterms 2010 if they prefer to.
- All parties must make it clear in contracts which Incoterms version is being referred to in order to avoid any misunderstanding.
- It is imperative that you check existing contracts to ensure that the Incoterms edition year is included. If there is no year stated then the following will apply:
- Up to 31st December 2019 – Incoterms 2010
- From 1st January 2020 – Incoterms 2020
- If a different year is stated, for example Incoterms 1990, then the respective terms will apply
- The below is the structure that should be used on Sales Contracts:

[Incoterm rule] [Named port/place/point] Incoterms 2020

Examples:

CIF Longbeach Incoterms 2020

DPU 4300 Longbeach Blvd, Longbeach, United States Incoterms 2020